

Planning by	Reviewed	Performed by	Final review

**Client details**

Client name: Kwa Dukuza Municipality  
Year end: 30 June 2017



Kwa Dukuza Municipality  
(Registration number KZN 292)

Unaudited Annual financial statements  
for the year ended 30 June 2017  
These Annual Financial Statements were prepared by: N J Mdakane (Municipal Manager)

Published 31 August 2017

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## General Information

---

The Councillors listed below are as at 30 June 2017

Mayor	N R Mthembu
Deputy Mayor	G Govender
Speaker	R Z P Zulu
Member of the Executive Committee	N R Khumalo
Member of the Executive Committee	J A Vallan
Member of the Executive Committee	T V Ntuli
Member of the Executive Committee	M S Sing
Member of the Executive Committee	J S Phahla
Member of the Executive Committee	M W Hubner
Member of the Executive Committee	J L T Sibiya
Chief Whip	D W Ndimande
Chair: MPAC	O L Nhaca
Member	D Singh
Member	M E Zungu
Member	N P Dube
Member	E B Majola
Member	A M Baardman
Member	S L Cele
Member	I P Dube
Member	T T Dube
Member	H Mbatha
Member	P B Mabaso
Member	N J Mpanza
Member	M E Ngidi
Member	M Ndlela
Member	S W Ntuli
Member	T S Ngidi
Member	N R Shezi
Member	V V Shezi
Member	M Y Suleman
Member	R Singh
Member	L A E Yingwana
Member	B I Dindi
Member	V Pillay
Member	S Naidoo
Member	T P Du Toit
Member	T Colley
Member	N Dasrath
Member	T Nkosi
Member	L I Mthembu
Member	C M Ntleko
Member	M M Madlala
Member	D H Mthembu
Member	V Govender
Member	C D Mthembu
Member	N Qwabe
Member	A L Nzama

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## General Information

---

Member	M S C M Motala
Member	G J Van Whye
Member	M S Mhlongo
Member	A L Sahadaw
Member	T K Gumede
Member	E M Kolia
Member	M Naidoo
Member	S M R Mfeka
Member	G Z Mngoezulu
Member	I T Nxumalo
Traditional Leader	V Mathonsi
Traditional Leader	D Z Gumede
Traditional Leader	A M Zulu
Traditional Leader	M B Cele
Traditional Leader	L Magwaza
Traditional Leader	V N Mthembu
Traditional Leader	H K Dube
<b>Grading of local authority</b>	Category 4
<b>Chief Finance Officer (CFO)</b>	MR S M Rajcoomar
Contact telephone number	032 - 4375500
Contact e-mail address	shamirr@kwadukuza.gov.za
<b>Municipal Manager</b>	Mr NJ Mdakane
<b>Registered office</b>	14 Chief Albert Luthuli Street Kwa Dukuza 4450
<b>Postal address</b>	P O Box 72 Kwa Dukuza 4450
<b>Primary Bankers</b>	ABSA
<b>Auditors</b>	Auditor General South Africa (AGSA)
Contact telephone number	033 - 264 7603
Contact e-mail address	ntombifuthim@agsa.co.za
<b>Telephone number</b>	(032) 437 5000
<b>Fax number</b>	(032) 437 5098
<b>E-mail address</b>	municipalm@kwadukuza.gov.za

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Index

---

Index	Page
Accounting Officer's Report	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement for the year ended 30 June 2017	8
Statement of Comparison of Budget and Actual Amounts	9 - 10
Accounting Policies	11 - 30
Notes to the Unaudited Annual Financial Statements	31 - 72
Appendixes:	
Appendix A: Schedule of External loans	73
Appendix B: Analysis of Property, Plant and Equipment	74
Appendix C: Segmental analysis of Property, Plant and Equipment	76
Appendix D: Segmental Statement of Financial Performance	77
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	78
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	79
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	80

### Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Finance, Audit and Risk Officers
IPSAS	International Public Sector Accounting Standards
EXCO	Executive Council
MFMA	Municipal Finance Management Act, Act No. 56 of 2003
MIG	Municipal Infrastructure Grant

## **Kwa Dukuza Municipality**

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

### **Accounting Officer's Report**

---

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 1 to 73, in terms of Section 126(1) of the Municipal Finance Management Act No. 56 of 2003 and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 28 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution of South Africa Act No.108 of 1996, save for disclosure in said note read with the Remuneration of Public Officer Bearers Act No. 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with this Act.

---

**Accounting Officer**  
**N J Mdakane**

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
<b>Current Assets</b>			
Inventories	8	6,450,056	6,849,078
Receivables from exchange transactions	9	89,240,282	60,522,152
Receivables from non-exchange transactions	10	94,762,822	80,955,929
VAT receivable	11	4,116,014	14,326,616
Current portion of long-term receivables	7	5,076	5,076
Short term investments	12	121,460,543	293,376,080
Cash and cash equivalents	13	266,812,300	158,797,023
		<b>582,847,093</b>	<b>614,831,954</b>
<b>Non-Current Assets</b>			
Investment properties	2	153,735,000	147,970,000
Property, Plant and equipment	3	1,871,357,572	1,680,110,125
Intangible assets	4	7,704,080	9,507,698
Heritage assets	5	105,386	105,386
Long-term Receivables	7	769,138	1,082,896
		<b>2,033,671,176</b>	<b>1,838,776,105</b>
<b>Total Assets</b>		<b>2,616,518,269</b>	<b>2,453,608,059</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Leases	16	4,098	46,683
Trade and other payables	20	204,415,004	200,261,812
Unspent conditional grants, receipts and Public contributions	17	46,656,619	24,299,775
Current Provisions	18	1,428,862	17,598,998
Deposits	21	31,393,486	30,167,576
Current portion of long term liabilities	19	8,684,418	13,396,358
		<b>292,582,487</b>	<b>285,771,202</b>
<b>Non-Current Liabilities</b>			
Leases	16	-	4,098
Employee benefits	6	90,463,111	84,223,031
Non-current Provisions	18	9,341,828	8,134,130
Long Service Awards	6	14,692,303	12,899,267
Long Term Liabilities	19	230,257,585	240,233,812
		<b>344,754,827</b>	<b>345,494,338</b>
<b>Total Liabilities</b>		<b>637,337,314</b>	<b>631,265,540</b>
<b>Net Assets</b>		<b>1,979,180,955</b>	<b>1,822,342,519</b>
Reserves			
Revaluation reserve	14	9,813,137	9,813,137
Housing Operating Account	15	8,728,156	8,728,156
Accumulated surplus		1,960,639,662	1,803,801,226
<b>Total Net Assets</b>		<b>1,979,180,955</b>	<b>1,822,342,519</b>

\* See Note 41

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	22	743,612,317	679,428,765
Rental of facilities and equipment		996,805	1,016,506
Interest earned outstanding debtors		5,573,067	5,564,056
Other income	23	59,249,994	52,743,759
Gains on disposal of property, plant and equipment		4,907,565	50,000
Interest received - investment	24	32,512,332	30,409,852
<b>Total revenue from exchange transactions</b>		<b>846,852,080</b>	<b>769,212,938</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	25	346,901,602	312,497,767
Property rates - penalties imposed	25	10,536,945	7,391,326
Licences or Permits (Non-exchange)		8,837,211	8,598,204
<b>Transfer revenue</b>			
Government grants, subsidies & Public Contributions	26&27	211,979,843	208,855,307
Donations	3	2,873,732	3,663,174
Fines	43	21,039,564	16,076,516
<b>Total revenue from non-exchange transactions</b>		<b>602,168,897</b>	<b>557,082,294</b>
<b>Total revenue</b>		<b>1,449,020,977</b>	<b>1,326,295,232</b>
<b>Expenditure</b>			
Employee related costs	28	320,463,837	282,807,356
Remuneration of councillors	29	18,909,736	18,544,424
Adjustments to Non-Current Provisions	18	1,280,904	1,030,037
Transfer made: MIG Funding paid to Ilembe DM		-	6,100,223
Depreciation and amortisation	30	61,204,895	52,905,363
Impairment loss/ Reversal of impairments	31	2,212,551	16,690,667
Finance costs	32	24,515,486	24,880,004
Debt Impairment	33	18,274,852	20,329,224
Collection costs		4,771,236	4,453,262
Repairs and maintenance	51	70,278,549	63,326,286
Bulk purchases	34	552,550,861	488,650,902
Contracted services	44	29,171,477	30,462,775
Adjustments to Current Provisions	18	-	16,243,342
General Expenses	35	177,217,578	157,299,268
Employee and Long Service Benefits	6	8,033,134	17,733,298
<b>Total expenditure</b>		<b>1,288,885,096</b>	<b>1,201,456,431</b>
<b>Operating surplus</b>		<b>160,135,881</b>	<b>124,838,801</b>
Loss on disposal of assets and liabilities	3&4	(9,062,457)	(10,709,088)
Fair value adjustments	36	5,765,000	2,185,000
		<b>(3,297,457)</b>	<b>(8,524,088)</b>
<b>Surplus for the year</b>		<b>156,838,424</b>	<b>116,314,713</b>

\* See Note 41



## Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

### Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Housing Operating Account	Total reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	9,813,137	8,728,156	18,541,293	1,693,252,311	1,711,793,604
Adjustments					
Correction of errors	-	-	-	(5,765,798)	(5,765,798)
<b>Balance at 01 July 2015 as restated*</b>	<b>9,813,137</b>	<b>8,728,156</b>	<b>18,541,293</b>	<b>1,687,486,513</b>	<b>1,706,027,806</b>
Changes in net assets					
Surplus for the year	-	-	-	116,314,713	116,314,713
Total changes	-	-	-	116,314,713	116,314,713
<b>Restated* Balance at 01 July 2016</b>	<b>9,813,137</b>	<b>8,728,156</b>	<b>18,541,293</b>	<b>1,803,801,238</b>	<b>1,822,342,531</b>
Changes in net assets					
Surplus for the year	-	-	-	156,838,424	156,838,424
Total changes	-	-	-	156,838,424	156,838,424
<b>Balance at 30 June 2017</b>	<b>9,813,137</b>	<b>8,728,156</b>	<b>18,541,293</b>	<b>1,960,639,662</b>	<b>1,979,180,955</b>
Note(s)	14	15			

Note 41 provides further details of adjustments pertaining to the 2014/2015 and 2015/2016 financial year.

\* See Note 41

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Cash Flow Statement for the year ended 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Interest income		32,512,332	30,409,852
Cash receipts	42	1,381,207,692	1,216,905,677
		<u>1,413,720,024</u>	<u>1,247,315,529</u>
<b>Payments</b>			
Finance costs		(24,515,486)	(24,880,004)
Cash paid	42	(1,185,453,436)	(1,031,053,956)
		<u>(1,209,968,922)</u>	<u>(1,055,933,960)</u>
<b>Net cash flows from operating activities</b>		<b><u>203,751,102</u></b>	<b><u>191,381,569</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(253,278,543)	(252,633,620)
Proceeds from sale of property, plant and equipment	3	-	100,000
Purchase of investment properties	2	-	(58,610,000)
Purchase of other intangible assets	4	(863,879)	(1,134,470)
Movement in short term investments		171,915,537	(93,409,552)
<b>Net cash flows from investing activities</b>		<b><u>(82,226,885)</u></b>	<b><u>(405,687,642)</u></b>
<b>Cash flows from financing activities</b>			
Consumer deposits		1,225,910	4,007,432
Movement in long term liabilities		(14,688,167)	28,633,899
Finance lease payments		(46,683)	37,311
<b>Net cash flows from financing activities</b>		<b><u>(13,508,940)</u></b>	<b><u>32,678,642</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>108,015,277</b>	<b>(181,627,431)</b>
Cash and cash equivalents at the beginning of the year		158,797,023	340,424,448
<b>Cash and cash equivalents at the end of the year</b>	13	<b><u>266,812,300</u></b>	<b><u>158,797,017</u></b>

\* See Note 41

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	748,700,496	459,640	<b>749,160,136</b>	743,612,317	<b>(5,547,819)</b>	
Rental of facilities and equipment	1,132,678	-	<b>1,132,678</b>	996,805	<b>(135,873)</b>	58
Interest earned outstanding debtors	5,676,000	-	<b>5,676,000</b>	5,573,067	<b>(102,933)</b>	58
Other income	41,145,737	12,301,864	<b>53,447,601</b>	48,210,919	<b>(5,236,682)</b>	59
Gains on disposal of property, plant and equipment	-	-	-	4,907,565	<b>4,907,565</b>	
Interest received - investment	32,500,831	(4,518,624)	<b>27,982,207</b>	32,512,332	<b>4,530,125</b>	59
<b>Total revenue from exchange transactions</b>	<b>829,155,742</b>	<b>8,242,880</b>	<b>837,398,622</b>	<b>835,813,005</b>	<b>(1,585,617)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	346,236,748	7,091,056	<b>353,327,804</b>	346,901,602	<b>(6,426,202)</b>	
Property rates - penalties imposed	12,105,636	-	<b>12,105,636</b>	10,536,945	<b>(1,568,691)</b>	59
Licences and Permits	10,486,587	-	<b>10,486,587</b>	8,837,211	<b>(1,649,376)</b>	59
<b>Transfer revenue</b>						
Government grants & subsidies	130,487,500	(2,201,354)	<b>128,286,146</b>	132,349,411	<b>4,063,265</b>	
Public contributions and donations	-	-	-	2,873,732	<b>2,873,732</b>	59
Fines	33,948,521	(12,430,000)	<b>21,518,521</b>	21,039,564	<b>(478,957)</b>	59
<b>Total revenue from non-exchange transactions</b>	<b>533,264,992</b>	<b>(7,540,298)</b>	<b>525,724,694</b>	<b>522,538,465</b>	<b>(3,186,229)</b>	
<b>Total revenue</b>	<b>1,362,420,734</b>	<b>702,582</b>	<b>1,363,123,316</b>	<b>1,358,351,470</b>	<b>(4,771,846)</b>	
<b>Expenditure</b>						
Employee related costs	(323,610,239)	3,901,888	<b>(319,708,351)</b>	(320,463,837)	<b>(755,486)</b>	
Remuneration of councillors	(21,234,858)	2,325,122	<b>(18,909,736)</b>	(18,909,736)	-	59
Depreciation, amortisation and impairment/ reversal of impairments	(78,750,151)	750,000	<b>(78,000,151)</b>	(62,744,166)	<b>15,255,985</b>	59
Finance costs	(24,697,107)	-	<b>(24,697,107)</b>	(24,515,486)	<b>181,621</b>	
Debt Impairment	(35,976,789)	-	<b>(35,976,789)</b>	(18,274,852)	<b>17,701,937</b>	59
Repairs and maintenance	(42,884,999)	(3,859,451)	<b>(46,744,450)</b>	(70,278,549)	<b>(23,534,099)</b>	59
Bulk purchases	(528,514,000)	(10,449,870)	<b>(538,963,870)</b>	(552,550,861)	<b>(13,586,991)</b>	
Contracted Services	(30,296,624)	(366,894)	<b>(30,663,518)</b>	(29,171,477)	<b>1,492,041</b>	
Loss on disposal of assets	(493,951)	493,951	-	(9,062,457)	<b>(9,062,457)</b>	59
Other expenditure	(251,734,723)	(17,144,572)	<b>(268,879,295)</b>	(191,934,527)	<b>76,944,768</b>	59
<b>Total expenditure</b>	<b>(1,338,193,441)</b>	<b>(24,349,826)</b>	<b>(1,362,543,267)</b>	<b>(1,297,905,948)</b>	<b>64,637,319</b>	
<b>Operating surplus</b>	<b>24,227,293</b>	<b>(23,647,244)</b>	<b>580,049</b>	<b>60,445,522</b>	<b>59,865,473</b>	
Transfers recognised - Capital	68,248,500	18,891,500	<b>87,140,000</b>	79,630,432	<b>(7,509,568)</b>	

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Contributions recognised - Capital	-	4,000,000	4,000,000	-	(4,000,000)	
Fair value adjustments	-	-	-	5,765,000	5,765,000	
	68,248,500	22,891,500	91,140,000	85,395,432	(5,744,568)	
<b>Surplus before taxation</b>	<b>92,475,793</b>	<b>(755,744)</b>	<b>91,720,049</b>	<b>145,840,954</b>	<b>54,120,905</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>92,475,793</b>	<b>(755,744)</b>	<b>91,720,049</b>	<b>145,840,954</b>	<b>54,120,905</b>	

### Funding of Capital

#### Non-Current Assets

Transfers recognised - Capital	68,248,500	18,891,500	87,140,000	79,630,432	(7,509,568)	
Internally generated funds	232,723,307	(40,728,711)	191,994,596	186,314,525	(5,680,071)	
Public Contributions and donations	-	4,000,000	4,000,000	2,873,732	(1,126,268)	
Borrowings	2,186,000	7,814,000	10,000,000	-	(10,000,000)	
	303,157,807	(10,023,211)	293,134,596	268,818,689	(24,315,907)	
<b>Total Sources of Capital funds</b>	<b>303,157,807</b>	<b>(10,023,211)</b>	<b>293,134,596</b>	<b>268,818,689</b>	<b>(24,315,907)</b>	
	-	-	-	-	-	

### Cash Flow Statement

#### Cash flows from operating activities

##### Payments

Net cash from/(used) - Operating activities	205,673,887	(175,679)	205,498,208	208,904,760	3,406,552	
---	-------------	-----------	-------------	-------------	-----------	--

#### Cash flows from investing activities

Net cash from/(used) - Investing activities	(298,746,216)	6,165,645	(292,580,571)	(263,278,198)	29,302,373	
---	---------------	-----------	---------------	---------------	------------	--

Net increase/(decrease) in cash and cash equivalents	-	-	-	(54,373,438)	-	
--	---	---	---	--------------	---	--

Net cash from/(used) - Financing activities	2,276,431	(14,903,622)	(12,627,191)	(13,508,940)	(881,749)	59
---	-----------	--------------	--------------	--------------	-----------	----

<b>Cash and cash equivalents at the end of the year</b>	<b>361,377,195</b>	<b>(8,913,657)</b>	<b>352,463,539</b>	<b>266,812,300</b>	<b>(881,749)</b>	
---	--------------------	--------------------	--------------------	--------------------	------------------	--

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1. Basis of Presentation

The unaudited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These unaudited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

The Minister has determined the following Standards of GRAP for Municipalities.

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Investment in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economics
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of Non-cash generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash –generating Assets
GRAP 27	Agriculture
GRAP 31	Intangible Asset
GRAP 100	Discontinued Operations

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 105	Transfers of Function Between Entities under Common Control
GRAP 106	Transfers of Function Between Entities Not under Common Control
GRAP 107	Mergers

In addition the municipality has applied all the other Interpretation Standards and directives determined by the Minister in the updated Directive 5.

### 1.1 Changes in accounting policy and comparability

Changes in accounting policies due to adoption of newly effective Standards of GRAP have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy or where allowed transitional provisions had been adopted. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Errors are corrected retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

The municipality changes an accounting policy only if the change:

- a) is required by a Standard of GRAP; or
- b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

### 1.2 COMPARATIVE INFORMATION

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

### 1.3 Presentation of Budget Information in the Financial Statements

The municipality presents a comparison of the budget amounts for which it is held publicly accountable and actual amounts as a separate statement called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the financial statements adjusted to be comparable to the budget. The comparison of budget and actual amounts presents separately for each level of legislative oversight the following:

- The approved and final budget amounts;
- The actual amounts on a comparable basis; and
- By way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

### 1.4 Critical judgments, estimations and assumptions

The following are the critical judgments, apart from those involving estimations, that the management has made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### Revenue Recognition

Accounting Policy 1.22 on Revenue from Exchange Transactions and Accounting and Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-exchange Transactions. In particular when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

### Financial assets and liabilities

The classification of financial assets and liabilities into categories is based on relevant accounting standards as assessed by management.

### Impairment of Financial Assets

Accounting Policy 1.15.4 on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments. The management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

### Useful lives of Property, Plant and Equipment ("PPE")

As described in Accounting Policies 1.12.3 and, 1.13.2 the municipality depreciates/amortises its property, plant and equipment, and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

### Impairment: Write down of PPE and Inventories

Significant estimates and judgments are made relating to PPE impairment tests and write down of inventories to net realisable values.

### Defined Benefit Plan Liabilities

As described in Accounting Policy 12.4, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25 Employee Benefits. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 4 to the Annual Financial Statements.

Multi-employer defined benefit funds are accounted for as defined contribution plan as set out in note 4.

### 1.5 Presentation currency

These unaudited annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

### 1.6 Going concern assumption

These unaudited annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.7 Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

### 1.8 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations as listed below.

#### **GRAP 32: Service Concession Arrangements: Grantor**

The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for service concession arrangements.

Arrangements within the scope of this Standard involve the operator providing a mandated function related to the service concession asset on behalf of the grantor. The operator providing the mandated function can either be a private party or another public sector entity.

Arrangements outside the scope of this Standard are those that do not involve the delivery of a mandated function and arrangements that involve the provision or management of services where the asset is not controlled by the grantor (e.g., outsourcing, service contracts, or privatisation).

#### **GRAP 108: Statutory Receivables**

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for statutory receivables.

This Standard does not apply to the following receivables, except if indicated otherwise:

- Receivables and any other financial assets that arise from contractual arrangements to which the Standard of GRAP on Financial Instruments applies.
- Receivables to which the Standard of GRAP on Leases applies.
- Insurance contracts as defined in the International Financial Reporting Standard on Insurance Contracts.

Statutory receivables can arise from both exchange and non-exchange transactions. Where these receivables arise from exchange and non-exchange revenue transactions, an entity shall apply the recognition and initial measurement requirements of the Standards of GRAP on Revenue from Exchange Transactions and Revenue from Non-exchange Transactions (Taxes and Transfers), as well as the requirements of this Standard.

#### **GRAP 109: Accounting by Principals and Agents**

The objective of this Standard is to outline principles to be used by an entity to assess:-

- Whether it is party to a principal-agent arrangement, and
- Whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

The principal-agent arrangement results from a binding agreement in which one entity (an agent) undertakes transactions with third parties on behalf, and for the benefit of, another entity (principal).

An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in determining whether it is principal or an agent in a principal-agent arrangement.



# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

This standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements but do however:-

- Provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal; as well as
- Prescribe what information should be disclosed when an entity is a principal or an agent (i.e. applying GRAP standards other than GRAP 109 to deal with the recognition and measurement of revenue, expenses, assets and/or liabilities).

### **IGRAP 17 Service Concession Arrangements where the Grantor controls a significant residual interest in an asset**

The Standard of GRAP on Service Concession Arrangements: Grantor requires the grantor to recognise a service concession asset provided by the operator and an upgrade to an existing asset of the grantor if:

- The grantor controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price; and
- The grantor controls—through ownership, beneficial entitlement or otherwise—any significant residual interest in the asset at the end of the term of the arrangement.

If one or both of these criteria are not met, the grantor needs to consider the principles in the Interpretation of the Standards of GRAP on Determining Whether an Arrangement Contains a Lease (IGRAP 3) to determine whether the arrangement constitutes a lease. The principles in the Standard of GRAP on Leases shall then be applied to determine whether the arrangement constitutes a finance lease or operating lease.

If the grantor concludes that the arrangement does not constitute a finance or an operating lease after considering the principles in the Interpretation of the Standards of GRAP on Determining Whether an Arrangement Contains a Lease and in the Standard of GRAP on Leases, the grantor shall consider the principles in the Framework for the Preparation and Presentation of Financial Statements in accounting for any revenue and expenses incurred in terms of the arrangement.

The Standard of GRAP on Service Concession Arrangements: Grantor applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity.

### **1.9 Standards not yet effective but used for disclosure purposes**

Council has adopted the following GRAP standard on related parties to determine its disclosure on related party relationships, transaction and balances.

### **GRAP 20: Related Party Disclosures**

The objective of this Standard of GRAP is to ensure that a municipality's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

This Standard of GRAP requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the municipality in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This Standard of GRAP also applies to individual financial statements.

This Standard of GRAP requires that only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another municipality, entity or person are disclosed.

The Standard of GRAP sets out the requirements, inter alia, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

No effective date has yet been determined by the Minister of Finance.

### 1.10 Housing Operating Account

The Housing Operating Account was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing Operating Account. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Operating Account.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Operating Account. Where the municipality experiences a nett loss on proceeds realised these are funded by the accumulated surplus. Monies standing to the credit of the Housing Operating Account can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

### 1.11 Investment properties

#### 1.11.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at fair value including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction or at a nominal value its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- Property that is being constructed or developed for future use as investment property;
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases; and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.11 Investment properties (continued)

- Property held for strategic purposes or service delivery.

#### 1.11.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined annually by external valuers at the reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the year.

The carrying amount of an investment property is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of an investment property is included in surplus or deficit for the year when the asset is derecognised.

Gains or losses are calculated as the difference between the net book value of assets (fair value) and the sales proceeds.

### 1.12 Property, Plant and equipment

#### 1.12.1. Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost, where applicable, also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### 1.12.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (which includes deemed cost for previously unrecognised assets), less accumulated depreciation and accumulated impairment losses.

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.12 Property, Plant and equipment (continued)

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

#### 1.12.3 Depreciation

Land is not depreciated as it is regarded as having an indefinite life. Depreciation of assets other than land is calculated, using the straight line method, to depreciate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

Details	Years
Infrastructure	
Roads	10 – 45
Electricity	5 – 50
Storm Water	10 – 80
Solid Waste Disposal	10 – 45
Community	
Community and Recreation Facilities	5 – 50
Other Assets	2 – 50
Vehicles	3 – 10
Furniture and Fittings	3 – 5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

#### 1.12.4 Work in Progress

Work in progress is stated at historical cost. Depreciation only commences when the asset is available for use.

#### 1.12.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease.

#### 1.12.6 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality.

#### 1.12.7 De-recognition of Property, Plant and Equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from de-recognition of an item of property, plant and equipment is included in surplus or deficit for the year when the item is derecognised.

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.12 Property, Plant and equipment (continued)

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds.

#### 1.12.8 Impairment of Assets

##### 1.12.8.1 Cash - generating Assets

Identification:

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Value in use

Value in use of a cash generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a rate that reflects current market assessments of the time value of money, represented by the current risk free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

##### 1.12.8.2 Impairment of Non-cash Generating Assets

Identification

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.12 Property, Plant and equipment (continued)

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset no impairment recognised.

#### Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

#### Depreciated replacement cost approach:

The present value of the remaining service potential of a non cash generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Recognition and measurement

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

An impairment loss is recognised for non-cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.13 Intangible assets

#### 1.13.1 Initial Recognition

Identifiable non-monetary assets without physical substance which are held for use in the production or supply of services, for rental to others, or for administrative purposes are classified and recognised as intangible assets. The municipality recognises an intangible asset only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense when incurred.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life. Development assets are tested for impairment annually.

Intangible assets are initially recognised at cost. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The municipality does not recognise electricity servitudes arising from a legal right as intangible assets.

#### 1.13.2 Subsequent Measurement, Amortisation and Impairment

Subsequently all intangible assets are measured at cost, less accumulated amortisation and accumulated impairment losses.

Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 2 to 7 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes (excluding electricity servitudes) obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortisation method are reviewed annually. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in surplus or deficit for the year.

#### 1.13.3 De-recognition of Intangible Assets

The carrying amount of an intangible asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from de-recognition of an intangible asset is included in surplus or deficit when the asset is derecognised. Gains are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated amortisation and accumulated impairment losses) and the sales proceeds. This is included in surplus or deficit for the year as a gain or loss on disposal of intangible assets.

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.14 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives.

### 1.15 Financial instruments

The municipality has various types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

#### 1.15.1 Financial Assets - Classification

A financial asset is any asset consisting of cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits (Banking Institutions, etc)
- Long-term Receivables
- Consumer Debtors
- Certain Other Debtors
- Short-term Investment
- Cash and Cash Equivalents

In accordance with GRAP 104, the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment – Call	Financial assets at amortised cost
Cash and Cash Equivalents	Financial assets at amortised cost
Long-term Receivables	Financial assets at amortised cost
Consumer Debtors	Financial assets at amortised cost
Other Debtors	Financial assets at amortised cost
Investments in Fixed Deposits	Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Cash and cash equivalents include cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

#### 1.15.2 Financial Liabilities – Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:



# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.15 Financial instruments (continued)

- Long-term Liabilities
- Certain Other Creditors
- Bank Overdraft
- Short-term Loans
- Current Portion of Long-term Liabilities
- Consumer Deposits

In accordance with GRAP 104, the Financial Liabilities of the municipality are classified into the following category as allowed by this standard

- Financial liabilities at amortised cost.

Financial liabilities at amortised cost are initially measured at fair value, net of transaction costs. These are subsequently measured at amortised cost using the Effective interest method, with interest expense recognised on an effective yield basis.

#### 1.15.3 Initial and Subsequent Measurement

##### 1.15.3.1 Financial Assets:

Financial assets at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

##### 1.15.3.2 Financial Liabilities:

Financial Liabilities at amortised cost are initially measured at fair value net of transaction costs. Subsequently, these liabilities are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Financial liabilities are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

#### 1.15.4 Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at reporting date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The provision is made whereby the recoverability of Consumer Debtors is assessed individually or collectively after grouping the assets in financial assets with similar credit risk characteristics if individual assessment was not possible.

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.15 Financial instruments (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets and recognised in surplus or deficit for the year with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in surplus or deficit for the year.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through surplus or deficit for the year to the extent that the carrying amount of the instruments at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### 1.15.5 De-recognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### 1.15.6 De-recognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

### 1.16 Leases

#### The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to Property, plant, equipment or Intangible Assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in surplus or deficit for the year on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### The Municipality as Lessor

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.16 Leases (continued)

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease

### 1.17 Inventories

Inventories comprising of consumable stores, raw materials and finishing goods are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value, determined on the weighted average cost.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Unsold properties represent unsold units in economic selling schemes where the net realisable value of each unit is either nil or a nominal amount. As a consequence of the passage of time the municipality is not in a position to determine the cost of such inventory. Furthermore, the use of current replacement cost would not only distort the statement of financial position by inflating the value of inventories but would also result in a credit to the housing operating account contrary to section 14 of the Housing Act, 1998. Accordingly unsold properties are stated in the annual financial statements at net realisable value.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

### 1.18 Employee benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The Standard of GRAP requires a municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when a municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The Standard of GRAP states the recognition, measurement and disclosure requirements of:

- short term employee benefits;
- all short term employee benefits;
- short term compensated absences;
- bonus, incentive and performance related payments;
- post employment benefits;
- other long term employee benefits; and
- termination benefits.

The municipality has adopted GRAP 25 Employee Benefits in the current year.

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The municipality has recognised:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when a municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.18 Employee benefits (continued)

This municipality recognises all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

#### Short-term employee benefits

Remuneration to employees is recognised in surplus or deficit for the year as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as an accrual in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

#### Past service costs

Past service costs are recognised immediately in surplus or deficit, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit for the year in which the service is rendered by the relevant employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The municipality has no further payment obligations once the contributions have been paid.

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Actuarial gains and losses comprise experience adjustments and changes in actuarial assumptions are charged to surplus or deficit for the year in which they arise.

#### \* Pension obligations

The municipality and its employees contribute to the Natal Joint Municipal Pension Fund (Superannuation, Retirement and Provident fund). The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Superannuation & Retirement Funds are defined benefit funds. The Natal Joint Provident Fund is a defined contribution funds.

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes."

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.18 Employee benefits (continued)

#### \* Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and recognised actuarial gains and losses, adjusted by past service costs where applicable. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and an appropriate discount rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

#### \* Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, as well as additional once-off leave calculated in terms of the rules of the scheme, after 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service.

The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for in surplus or deficit for the year.

Actuarial gains or losses are accounted for in full and are recognised in surplus or deficit for the year.

### 1.19 Provisions

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

### 1.20 Contingent Assets and Contingent Liabilities

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

### 1.21 Capital Commitments

In terms of GRAP 17, contractual commitments are disclosed for all assets. The commitment is measured at the value of the contract less amounts paid until year end. Where contracts or letters of awards have been issued, this is classified as an approved and contracted commitment.

### 1.22 Revenue Recognition

Revenue from exchange transactions

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.22 Revenue Recognition (continued)

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue comprises the fair value of the consideration received or receivable for the sale or rendering of services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

#### Revenue from Exchange Transactions

##### Service Charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

##### Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made in the last month of the financial year is recognised based on an estimate of the prepaid electricity consumed as at the reporting date with reference to the consumption patterns of the individual users.

##### Finance income

Interest earned on investments is recognised in surplus or deficit for the year on the time proportionate basis that takes into account the effective yield on the investment.

##### Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

##### Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised on a straight-line basis over the term of the lease agreement where material, where such lease periods span over more than one financial year.

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.23 Revenue from non-exchange transactions

#### Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

#### Fines

Fines constitute both spot fines and summonses.

Revenue from traffic fines is initially measured on the value stipulated on the notice, summons or equivalent document.

The revenue from traffic fines is subject to further judicial process which is outside the municipality's control. These reductions are not considered in measuring the revenue and receivable on initial recognition. This is because of the high degree of uncertainty in estimating the likely outcome of this process. Once this separated process has been concluded, any reductions are accounted for as a change in estimated revenue and in accordance with iGRAP1.

#### Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Revenue is recognised at the fair value of the consideration received. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

#### Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

#### Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

### 1.24 Government Grants and Receipts

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised as Accounts Receivable in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability and if it is the municipality's interest it is recognised as interest earned in surplus of deficit for the year.

### 1.25 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

The municipality has opted to expense all Borrowing costs.

### 1.26 Cash and Cash Equivalents

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

### 1.27 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003).

### 1.28 Fruitless and wasteful expenditure

Fruitless expenditure is expenditure which was made in vain and would have been avoided had reasonable care been exercised.

### 1.29 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure.

### 1.30 Related parties

Individuals, including councillors, as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

### 1.31 Events after reporting date

Events after the reporting date that have been classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

### 1.32 Value Added Tax

The Municipality accounts for Value Added Tax on the payments basis.



# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

### 2. Investment properties

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	153,735,000	-	153,735,000	147,970,000	-	147,970,000

#### Reconciliation of investment properties - 2017

	Opening balance	Transfers	Fair value adjustments	Total
Investment property	147,970,000	-	5,765,000	153,735,000

#### Reconciliation of investment properties - 2016

	Opening balance	Transfers	Fair value adjustments	Total
Investment property	87,175,000	58,610,000	2,185,000	147,970,000

A register containing the information required by Section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the KwaDukuza Municipality.

#### Details of valuation

No amounts were expensed towards repairs and maintenance costs for investment properties.

The above fair value was conducted by a valuer registered as a professional valuer in terms of the Property Valuers Profession Act 2000 and a member of the South African Institute of Valuers.

### 3. Property, Plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	360,389,674	-	360,389,674	372,216,674	-	372,216,674
Buildings	183,879,747	(52,068,493)	131,811,254	149,622,909	(44,263,863)	105,359,046
Leased assets	478,444	(416,825)	61,619	1,775,515	(1,599,300)	176,215
Furniture and fittings	52,980,345	(36,795,719)	16,184,626	49,921,776	(31,132,604)	18,789,172
Motor vehicles	67,427,815	(36,989,331)	30,438,484	64,733,427	(32,558,923)	32,174,504
Solid Waste	4,830,730	(1,515,329)	3,315,401	4,653,557	(1,221,260)	3,432,297
Housing	8,972,974	(6,215,084)	2,757,890	8,617,014	(5,804,719)	2,812,295
Assets Under Construction	207,498,696	-	207,498,696	212,354,509	-	212,354,509
Infrastructure Roads	700,074,559	(180,923,117)	519,151,442	539,701,275	(162,806,416)	376,894,859
Cemetries	13,055,385	(2,577,630)	10,477,755	13,010,285	(1,969,201)	11,041,084
Infrastructure Stormwater	194,708,319	(64,801,315)	129,907,004	156,125,184	(62,180,404)	93,944,780
Infrastructure Electrical	680,895,381	(221,531,654)	459,363,727	654,263,283	(203,348,593)	450,914,690
<b>Total</b>	<b>2,475,192,069</b>	<b>(603,834,497)</b>	<b>1,871,357,572</b>	<b>2,226,995,408</b>	<b>(546,885,283)</b>	<b>1,680,110,125</b>

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand

### 3. Property, Plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Assets previously not recognised	Assets written off	Donations	Capital under construction brought into use	Recognition of expense items	Depreciation	Impairment loss	Impairment reversal	Total
Land	372,216,674	-	-	(11,827,000)	-	-	-	-	-	-	360,389,674
Buildings	105,359,046	917,635	-	(58,077)	-	33,367,162	160,562	(8,008,391)	-	73,317	131,811,254
Leased assets	176,215	-	-	(65,406)	-	-	-	(49,190)	-	-	61,619
Furniture and fittings	18,789,172	2,856,870	239,338	(48,848)	-	275,434	-	(5,233,015)	(694,325)	-	16,184,628
Motor vehicles	32,174,504	4,586,242	36,497	(518,478)	-	-	-	(5,840,280)	-	-	30,438,484
Solid waste	3,432,297	176,749	425	-	-	-	-	(294,070)	-	-	3,315,401
Housing	2,812,295	355,960	-	-	-	-	-	(410,365)	-	-	2,757,889
Assets Under Construction	212,354,509	251,005,237	-	(809,297)	-	(255,051,752)	-	-	-	-	207,498,696
Infrastructure Roads	376,894,859	16,230	-	-	-	158,949,500	-	(16,709,170)	-	-	519,151,438
Cemetries	11,041,084	45,100	-	-	-	-	-	(608,429)	-	-	10,477,755
Infrastructure Stormwater	93,944,780	-	-	-	-	39,990,669	-	(4,028,393)	(5,541)	5,493	129,907,007
Infrastructure Electrical	450,914,690	1,064,328	-	(697,005)	2,873,732	22,468,987	1,686,584	(17,356,095)	(1,591,494)	-	459,363,727
	<b>1,680,110,125</b>	<b>261,024,351</b>	<b>276,260</b>	<b>(14,024,111)</b>	<b>2,873,732</b>	<b>-</b>	<b>1,847,146</b>	<b>(58,537,398)</b>	<b>(2,291,360)</b>	<b>78,810</b>	<b>1,871,357,572</b>

#### Classification of Asset under construction

	Opening balance	Additions	Completed projects	Write offs	Closing balance
Buildings	27,294,751	55,855,674	(35,377,384)	(385,107)	47,387,935
Cemetries	8,107,967	23,893,903	-	-	32,001,870
Electricity	51,946,098	28,599,030	(23,655,368)	(5,586)	56,884,175
Plant and machinery	-	842,947	-	-	842,947
Roads and stormwater	124,880,692	141,813,681	(196,019,000)	(418,604)	70,256,769
Solid waste	125,000	-	-	-	125,000
	<b>212,354,508</b>	<b>251,005,235</b>	<b>(255,051,752)</b>	<b>(809,297)</b>	<b>207,498,696</b>

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand

### 3. Property, Plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Assets written off	Donations	Capital under construction brought into use	Recognition of expense items	Depreciation	Impairment loss	Impairment reversal	Total
Land	428,822,674	2,975,000	(59,581,000)	-	-	-	-	-	-	372,216,674
Buildings	92,001,499	3,464,407	(460,101)	-	17,797,021	464,612	(7,161,472)	(746,884)	-	105,359,046
Leased assets	170,913	89,776	-	-	-	-	(84,474)	-	-	176,215
Furniture and fittings	18,080,773	5,995,102	(137,815)	-	96,313	32,834	(5,248,501)	(29,537)	-	18,789,172
Motor vehicles	21,044,842	14,460,832	(140,795)	-	-	-	(3,154,180)	(36,194)	-	32,174,504
Solid Waste	3,700,967	16,850	-	-	-	-	(285,520)	-	-	3,432,297
Housing	2,833,348	369,896	-	-	-	-	(390,949)	-	-	2,812,295
Assets Under Construction	118,027,374	280,447,785	(768,350)	-	(185,352,272)	-	-	-	-	212,354,509
Infrastructure Roads	293,986,324	1,220,387	-	235,008	93,015,663	-	(12,764,638)	-	1,202,088	376,894,859
Cemetries	3,993,112	374,250	-	-	7,093,340	-	(419,618)	-	-	11,041,084
Infrastructure Stormwater	119,493,421	525,715	(3,421,659)	-	(29,055)	-	(5,464,344)	(17,159,299)	-	93,944,780
Infrastructure Electrical	392,000,927	1,689,032	(469,369)	3,428,166	67,378,990	2,322,689	(15,514,907)	-	79,162	450,914,690
	<b>1,494,156,174</b>	<b>311,629,032</b>	<b>(64,979,089)</b>	<b>3,663,174</b>	<b>-</b>	<b>2,820,135</b>	<b>(50,488,603)</b>	<b>(17,971,914)</b>	<b>1,281,250</b>	<b>1,680,110,125</b>

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

### 4. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets completed	20,749,398	(14,364,256)	6,385,142	19,604,956	(11,902,678)	7,702,278
Intangible assets under development	1,318,938	-	1,318,938	1,805,420	-	1,805,420
<b>Total</b>	<b>22,068,336</b>	<b>(14,364,256)</b>	<b>7,704,080</b>	<b>21,410,376</b>	<b>(11,902,678)</b>	<b>9,507,698</b>

#### Reconciliation of intangible assets - 2017

	Opening balance	Additions	Transfers	Assets written off	Amortisation	Total
Computer software, other	7,702,278	99,750	1,281,300	(30,687)	(2,667,500)	6,385,142
Intangible assets under development	1,805,420	794,818	(1,281,300)	-	-	1,318,938
	<b>9,507,698</b>	<b>894,568</b>	<b>-</b>	<b>(30,687)</b>	<b>(2,667,500)</b>	<b>7,704,080</b>

#### Reconciliation of intangible assets - 2016

	Opening balance	Additions	Transfers	Assets written off	Amortisation	Total
Intangible assets completed	9,508,689	610,350	-	-	(2,416,761)	7,702,278
Intangible assets under development	1,281,300	524,120	-	-	-	1,805,420
	<b>10,789,989</b>	<b>1,134,470</b>	<b>-</b>	<b>-</b>	<b>(2,416,761)</b>	<b>9,507,698</b>

### 5. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	105,386	-	105,386	105,386	-	105,386

#### Reconciliation of heritage assets 2016

	Opening balance	Total
Historical monuments	105,386	105,386

### 6. Employee benefit obligations

#### 6.1 Pension benefits

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand

2017

2016

### 6. Employee benefit obligations (continued)

The Municipality's personnel are members of one of the Natal Joint Municipal Pension retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements.

#### Superannuation

The interim valuation carried out on the Superannuation Fund as at 31 March 2016 reflected:

The valuation reveals that the total fund is 100% funded on the "best estimate" basis as at the valuation date, but that it is not fully funded on the "financial soundness" basis incorporating a Solvency Reserve. In terms of the scheme, the surcharge of 9.5% of pensionable salaries continue to be paid to build up the Solvency Reserve to the full theoretical level. This Reserve is to protect the fund against adverse experience on the active member liabilities and assets. The valuator is satisfied that the asset composition on the valuation date is appropriate to the nature of the liabilities and that the investment strategy of the Fund is suitable for the fund. In his view the Fund is in a sound financial position as at the valuation date.

#### Provident Fund

The interim valuation carried out on the Provident Fund as at 31 March 2016 reflected:

The actuarial valuation of the fund was taken as R3 016b at the valuation date.

Total liabilities, Reserves and Accounts of the fund as at valuation date was R2 864b.

The assets exceeded the liabilities and reserves. The fund is in a sound position as at the valuation date.

#### Retirement Fund

The latest statutory valuation of the Retirement Fund (defined benefit) as at 31 March 2016 reflected:

The fund is 93.8% funded on the "best estimate" basis as at the valuation date. The pensioner liabilities are fully funded and the liabilities in respect of active members are 85.9% funded. The fund self insures its risk benefits. The view of the consultant is that the Fund is not in a sound position as at the valuation date but the deficit is being funded by the surcharge that is being paid. The deficit is expected to be eliminated within the period allowed in the "Scheme to Eliminate Deficiency".

### 6.2 Post-employment medical benefits

The municipality operates on 5 accredited medical aid schemes, namely Bonitas, Key Health, LA Health, Samwumed and HosMed.

Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, Arch Actuarial Consulting, carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

In estimating the liability for post-employment medical aid benefits a number of assumptions are required as per GRAP 25. APN 30 states that the assumptions should be realistic and mutually compatible. The most relevant actuarial assumptions used in this valuation are discussed below.

Discount rate per annum	9.77 %	Yield Curve
Health care cost inflation rate	8.03 %	Yield Curve
Net effective discount rate	1.60 %	Yield Curve
Average retirement age	6	63
Proportion continuing membership at retirement	100.00 %	90%
Proportion of retiring members who are married	90.00 %	90%
Mortality during employment	SA 85-90	SA85-90

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

### 6. Employee benefit obligations (continued)

Mortality post-retirement PA (90) PA90 ultimate  
(No explicit assumption was made about additional mortality or health care costs due to AIDS).

Percentage of in-service members withdrawing before retirement:	Males	Females	Males	Females
Age 20 - 24	16.00 %	24.00 %	16.00 %	24.00 %
Age 25 - 29	12.00 %	18.00 %	12.00 %	18.00 %
Age 30 - 34	10.00 %	15.00 %	10.00 %	15.00 %
Age 35 - 39	8.00 %	10.00 %	8.00 %	10.00 %
Age 40 - 44	6.00 %	6.00 %	6.00 %	6.00 %
Age 45 - 49	4.00 %	4.00 %	4.00 %	4.00 %
Age 50 - 54	2.00 %	2.00 %	2.00 %	2.00 %
Age 55 - 59	1.00 %	1.00 %	1.00 %	1.00 %
Age 60+	- %	- %	- %	- %

#### Discount Rate:

Grap 25 stipulates that the choice of the economic assumptions should reflect government bond yields consistent with the estimated term of the employee benefit liabilities. Therefore these assumed future rates were deducted from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2017 and calculated using a liability-weighted average of the duration-dependent yields for each of the three components of the liability.

The amounts recognised in the statement of Financial Position are as follows:

#### Carrying value

Balance at beginning of the year	84,223,031	66,818,000
Current service cost	3,829,574	2,513,000
Interest cost	7,926,926	6,137,000
Benefit payments	(2,356,788)	(2,138,000)
Actuarial (gains)/losses	(3,159,632)	10,893,031
<b>Balance at end of year</b>	<b>90,463,111</b>	<b>84,223,031</b>

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	3,829,574	2,513,000
Interest cost	7,926,926	6,137,000
Benefit payments	(2,356,788)	(2,138,000)
Actuarial (gains)/losses	(3,159,632)	10,893,031
<b>Total</b>	<b>6,240,080</b>	<b>17,405,031</b>

### SENSITIVITY ANALYSIS

The results presented are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results, will depend on the extent to which actual experience differs from the assumptions made.

The assumption which tends to have the greatest impact on the results is the rate of health care cost inflation relative to the discount rate.

### SENSITIVITY RESULTS

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand

2017

2016

### 6. Employee benefit obligations (continued)

The liability at the Valuation Date was recalculated to show the effect of:

- (1) A 1% increase and decrease in the assumed general salary inflation rate.;
- (2) A 1% increase and decrease in the discount rate;
- (3) A two-year decrease and increase in the assumed average retirement age of employees.
- (4) A 50% decrease in the assumed withdrawal rates from service..

Table 1 summarises the results of the sensitivity analysis

Assumption	Change	In-service	Continuation	Total	% change
Central Assumptions		55.695	34.769	90.463	
Health care inflation	+1%	60.425	36.540	96.966	7%
	-1%	49.159	32.638	81.798	-10%
Discount Rate	+1%	45.586	31.664	77.249	-15%
	-1%	68.866	38.454	107.320	19%
Post-retirement mortality	-1 yr	57.260	35.872	93.132	3%
Average retirement age	-1 yr	58.757	34.769	93.525	3%
Continuation of membership at retirement	-10%	50.532	34.769	85.300	-6%

Note: The post-retirement mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer.

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 7% higher than that shown.

Table 2 summarises the results of this analysis on the Current - service and Interest Costs

Assumption	Change	Current-service Cost	Interest Cost	Total	% change
Central Assumptions		3,829,600	7,926,900	11,756,500	
Health care inflation	+1%	4,235,500	8,559,900	12,795,400	9%
	-1%	3,229,800	7,104,200	10,334,000	-12%
Discount rate	+1%	2,980,100	7,440,300	10,420,400	-11%
	-1%	4,981,000	8,465,600	13,446,600	14%
Post-retirement mortality	-1 yr	3,949,200	8,189,200	12,138,400	3%
Average retirement age	-1 yr	4,070,400	8,196,300	12,266,700	4%
Continuation of membership at retirement	-10%	3,468,600	7,483,600	10,952,200	-7%

### HISTORY OF LIABILITIES, ASSETS AND EXPERIENCE ADJUSTMENTS

The following table summarises the accrued liabilities and the plan assets for the current period and the previous four periods.

Liability History	30/06/2013	30/06/2014	30/06/2015	30/06/2016	30/06/2017
Accrued liability	59.973	65.031	66.818	84.223	90.463
Fair value of plan asset	0.000	0.000	0.000	0.000	0.000
Surplus / (Deficit)	(59.973)	(65.031)	(66.818)	(84.223)	(90.463)

### 6.3 Long service awards

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

### 6. Employee benefit obligations (continued)

The independent valuers, Arch Actuarial Consulting, carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

In estimating the liability for long service leave benefits, a number of assumptions are required as per GRAP 25. These assumptions should be realistic and mutually compatible. The most relevant actuarial assumptions used in this valuation are discussed below.

Discount rate per annum	8.48 %	- Yield Curve
General Salary Inflation (long term)	6.30 %	- Equal to CPI + 1%
Net effective discount rate	2.05 %	- Yield Curve based
Examples of mortality rates used were as follows:		-
Average retirement age	63 years	- 63 years
Mortality during employment	SA85-90	- SA85-90

Members withdrawn from service:	Males	Females		Males	Females
Age 20 - 24	16.00 %	24.00 %	-	16.00 %	24.00 %
Age 25 - 29	12.00 %	18.00 %	-	12.00 %	18.00 %
Age 30 - 34	10.00 %	15.00 %	-	10.00 %	15.00 %
Age 35 - 39	8.00 %	10.00 %	-	8.00 %	10.00 %
Age 40 - 44	6.00 %	6.00 %	-	6.00 %	6.00 %
Age 45 - 49	4.00 %	4.00 %	-	4.00 %	4.00 %
Age 50 - 54	2.00 %	2.00 %	-	2.00 %	2.00 %
Age 55 - 59	1.00 %	1.00 %	-	1.00 %	1.00 %
Age 60+	- %	- %	-	- %	- %
	<b>59.00 %</b>	<b>80.00 %</b>	<b>-</b>	<b>59.00 %</b>	<b>80.00 %</b>

Discount Rate:

Grp 25 stipulates that the choice of the economic assumptions should reflect government bond yields consistent with the estimated term of the employee benefit liabilities. Therefore these assumed future rates were deducted from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2017 and calculated using a liability-weighted average of the duration-dependent yields for each of the three components of the liability.

The amounts recognised in the Statement of Financial Position were determined as follows:

### Present value of funded obligations

#### Fair value of plan assets

Liability in the Statement of Financial Position	14,692,303	12,899,267
--	------------	------------

#### Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	12,899,267	12,571,000
Current service cost	1,346,356	1,285,000
Interest cost	1,053,350	1,180,000
Actuarial (Gain)/losses	(247,569)	(1,127,000)
Benefit payments	(1,160,727)	(1,009,733)
Past service costs	801,626	-
<b>Balance at end of year</b>	<b>14,692,303</b>	<b>12,899,267</b>



# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

### 6. Employee benefit obligations (continued)

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	1,346,356	1,285,000
Interest cost	1,053,350	1,180,000
Actuarial (Gain)/losses	(247,569)	(1,127,000)
Benefit payments	(1,160,727)	(1,009,733)
Past service costs	801,644	-
<b>Total</b>	<b>1,793,054</b>	<b>328,267</b>

#### To Conclude:

#### Statement of Financial Position obligation for:

Post-employment medical benefits	90,463,110	84,223,031
Long Service Award	14,692,303	12,899,267
	<b>105,155,413</b>	<b>97,122,298</b>

#### Statement of Financial Performance obligation for:

Post-employment medical benefits	6,240,080	17,405,031
Long Service Award loss	1,793,054	328,267
	<b>8,033,134</b>	<b>17,733,298</b>

### SENSITIVITY ANALYSIS

The results presented are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results, will depend on the extent to which actual experience differs from the assumptions made.

The assumption which tends to have the greatest impact on the results are:

- (1) The general salary inflation rate assumption
- (2) The discount rate assumption
- (3) The average retirement age of employees
- (4) Assumed rates of withdrawal of employees from service

### SENSITIVITY RESULTS

The liability at the Valuation date was recalculated to show the effect of:

- (1) A 1% increase and decrease in the assumed general salary inflation rate.
- (2) A 1% increase and decrease in the discount rate.
- (3) A two-year decrease and increase in the assumed average retirement age of employees.
- (4) A 50% decrease in the assumed withdrawal rates from service.

Tables 1 summarises the results of the sensitivity analysis.

Sensitivity Analysis of the Unfunded Accrued Liability (in R Millions)

Assumption	Change	Liability	% change
<b>Central assumptions</b>		14.692	
<b>General salary inflation</b>	+1%	15.614	6%
	-1%	13.860	-6%
<b>Discount Rate</b>	+1%	13.761	-6%
	-1%	15.744	7%
<b>Average retirement age</b>	-2 yrs	13.683	-7%
	+2 yrs	15.747	7%
<b>Withdrawal rates</b>	-50%	17.298	18%

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand

2017

2016

### 6. Employee benefit obligations (continued)

The table above indicates, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 6% higher

Table 2 summarises the results of this analysis on the Current-service and Interest Costs for the year ending 30 June 2017

Sensitivity Analysis on Current-service and Interest Costs

Assumption	Change	Current-service Cost	Interest Cost	Total	% change
<b>Central assumptions</b>		<b>1,346,400</b>	<b>1,053,400</b>	<b>2,399,800</b>	
General salary	+1%	1,477,100	1,129,900	2,607,000	9%
inflation	-1%	1,231,000	984,400	2,215,400	-8%
Discount Rate	+1%	1,238,600	1,096,100	2,334,700	-3%
	-1%	1,470,500	1,002,100	2,472,600	3%
Average	-2 yrs	1,255,000	960,900	2,215,900	-8%
retirement age	+2 yrs	1,448,200	1,154,600	2,602,800	8%
Withdrawal rates	-50%	1,790,100	1,248,700	3,038,800	27%

### HISTORY OF LIABILITIES, ASSETS AND EXPERIENCE ADJUSTMENTS

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods.

History of liabilities and assets (R millions)

Liability History	30/06/2013	30/06/2014	30/06/2015	30/06/2016	30/06/2017
Accrued Liability	11,350,971	12,315,000	12,571,000	12,899,267	14,692,321
Plan asset	0	0	0	0	0
Surplus / (Deficit)	(11,350,971)	(12,315,000)	(12,571,000)	(12,899,267)	(14,692,321)

### 7. Long-term Receivables

Housing selling scheme loans	4,901,662	7,426,504
Less: Allowance for impairment and future housing discounts	(4,127,448)	(6,338,532)
<b>Total</b>	<b>774,214</b>	<b>1,087,972</b>

#### Transfer to Current Portion

Less: Current portion transferred to current receivables	(5,076)	(5,076)
--	---------	---------

Total Receivables	769,138	1,082,896
-------------------	---------	-----------

Written - off during the year	3,070,021	2,243,233
-------------------------------	-----------	-----------

### HOUSING SELLING SCHEME LOANS

Loans have been granted to individuals who qualified in terms of the KwaZulu-Natal Department of Housing's programme. The loans are repayable over terms ranging from 5 to 30 years at interest rates varying between 11.25% and 13.5%

### 8. Inventories

Housing Inventory	167,164	266,453
-------------------	---------	---------

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
<b>8. Inventories (continued)</b>		
Consumable Stores	262,882	405,892
Mechanical Spares	37,610	32,902
Electrical Maintenance Spares	5,819,167	5,969,610
Fuel	163,233	174,221
	<b>6,450,056</b>	<b>6,849,078</b>
Periodically, physical stock counts are carried out.		
<b>9. Receivables from exchange transactions</b>		
Electricity	90,728,178	82,299,405
Estate	73,301	68,661
Refuse	10,714,959	10,184,223
VAT on Consumer Debtors	15,266,399	14,295,232
Legal Fees	3,618,020	3,269,501
Encroachment & Plot Clearing	513,440	8,595
Sundry adjustments	130,835	500,001
Interest	7,910,172	6,725,662
Add back credits included above	1,025,398	856,072
Less: Allowance for Impairment	(40,740,420)	(57,685,200)
	<b>89,240,282</b>	<b>60,522,152</b>
<b>Electricity</b>		
Current (0 – 30 days)	72,061,239	64,199,996
31 - 60 Days	3,110,804	2,852,067
61 - 90 Days	1,937,612	1,301,967
91 - 120 Days	1,362,396	1,070,506
Greater than 120 days	12,256,127	12,874,869
<b>Total</b>	<b>90,728,178</b>	<b>82,299,405</b>
<b>Estate</b>		
Current (0 – 30 days)	1,808	1,927
31 - 60 Days	1,413	1,086
61 - 90 Days	1,327	1,086
91 - 120 Days	1,086	1,086
Greater than 120 days	67,667	63,476
<b>Total</b>	<b>73,301</b>	<b>68,661</b>
<b>Refuse</b>		
Current (0 – 30 days)	1,956,943	3,274,011
31 - 60 Days	584,292	529,898
61 - 90 Days	558,233	417,232
91 - 120 Days	320,753	352,125
Greater than 120 days	7,294,738	5,610,957
<b>Total</b>	<b>10,714,959</b>	<b>10,184,223</b>
<b>VAT on Consumer Debtors</b>		
Current (0 – 30 days)	11,275,637	10,580,513
31 - 60 Days	510,894	471,207
61 - 90 Days	342,765	246,941
91 - 120 Days	206,701	206,985
Greater than 120 days	2,930,402	2,789,586
<b>Total</b>	<b>15,266,399</b>	<b>14,295,232</b>

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
<b>9. Receivables from exchange transactions (continued)</b>		
<b>Legal Fees</b>		
Current (0 – 30 days)	595,718	497,019
31 - 60 Days	17,804	119,205
61 - 90 Days	262,879	184,476
91 - 120 Days	41,290	215,787
Greater than 120 days	2,700,329	2,253,014
<b>Total</b>	<b>3,618,020</b>	<b>3,269,501</b>
<b>Encroachment and plot clearing</b>		
Current (0 – 30 days)	505,057	124
31 - 60 Days	-	124
61 - 90 Days	-	-
91 - 120 Days	-	-
Greater than 120 days	8,383	8,347
	<b>513,440</b>	<b>8,595</b>
<b>Sundry Adjustments</b>		
Current (0 – 30 days)	145,709	326,043
31 - 60 Days	(1,269)	(551)
61 - 90 Days	5,595	(961)
91 - 120 Days	(9,547)	(962)
Greater than 120 days	(9,653)	176,432
<b>Total</b>	<b>130,835</b>	<b>500,001</b>
<b>Interest</b>		
Current (0 – 30 days)	434,750	402,193
31 - 60 Days	406,924	358,366
61 - 90 Days	339,457	281,663
91 - 120 Days	196,155	266,380
Greater than 120 days	6,532,886	5,417,060
<b>Total</b>	<b>7,910,172</b>	<b>6,725,662</b>
<b>Add: credits included above</b>		
Current (0 – 30 days)	6,874,644	6,571,947
31 - 60 Days	(735,717)	(788,428)
61 - 90 Days	(621,126)	(775,225)
91 - 120 Days	(456,755)	(465,690)
Greater than 120 days	(4,035,648)	(3,686,532)
	<b>1,025,398</b>	<b>856,072</b>
<b>Reconciliation of the Allowance for Impairment</b>		
<b>Balance at beginning of the year</b>		
Receivables from exchange transactions	57,685,200	27,196,751
Long term receivables	6,338,532	8,319,282
Receivables from non-exchange transactions	84,843,323	99,587,571
<b>Total balance at beginning of the year</b>	<b>148,867,055</b>	<b>135,103,604</b>
<b>(Release from) / Contribution to provision</b>		
Receivables from exchange transactions	(16,944,780)	30,488,449
Long term receivables	(2,211,084)	(1,980,750)
Receivables from non-exchange transactions	35,382,486	(14,744,248)
<b>Total (Release from) / Contribution to provision</b>	<b>16,226,622</b>	<b>13,763,451</b>

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

### 9. Receivables from exchange transactions (continued)

<b>Balance at end of year</b>		
Receivables from exchange transaction	40,740,420	57,685,200
Long term receivables	4,127,448	6,338,532
Receivables from non-exchange transactions	120,225,809	84,843,323
<b>Total balance at end of year</b>	<b>165,093,677</b>	<b>148,867,055</b>

### Bad Debts Written Off

Bad debts written off - Exchange Transactions	764,604	856,586
Bad debts written off - Non - Exchange Transactions	1,283,626	3,515,685
<b>Total Bad debts written off</b>	<b>2,048,230</b>	<b>4,372,271</b>

### 10. Receivables from non-exchange transactions

Rates	87,724,241	83,695,090
Other Debtors	124,953,294	79,731,866
Department of Housing - RDP Projects	251,934	251,934
Operating Leases	2,059,162	2,120,362
Less: Allowances for Impairment	(120,225,809)	(84,843,323)
	<b>94,762,822</b>	<b>80,955,929</b>

### Rates

Current (0 – 30 days)	16,686,936	17,861,630
31 - 60 Days	6,597,552	6,244,582
61 - 90 Days	5,674,507	4,850,229
91 - 120 Days	4,472,446	4,282,123
Greater than 120 days	54,292,800	50,456,526
<b>Total</b>	<b>87,724,241</b>	<b>83,695,090</b>

### Other Debtors:

#### Included in Other Debtors are:

Debtors in respect of Legal Fees outstanding	77,005	327,313
Amounts to be claimed from Dept. Of Health - Clinic Expenses	-	1,000,655
BPB Sindi Construction & Khayelihle Projects - fruitless & wasteful expenditure	-	2,003,234
Contour Prepaid Vending Debtor	941,755	841,288
Traffic Fines Debtor	70,284,151	51,311,841
Licences & testing fees accrued	141,012	139,899
Ilembe water deposits	56,491	53,850
Sundry Debtors - R&G	32,429,864	11,816,606
Prepaid expenditure	8,056,728	8,078,620
Department of Human Settlements	2,706,288	4,158,560
Land sale arrangement	10,260,000	-
	<b>124,953,294</b>	<b>79,731,866</b>

The amounts disclosed under Dept. of Health - Clinic expenses and BPB Sindi Construction & Khayelihle Projects have been reclassified from other debtors to sundry debtors R & G with the implementation of mSCOA in terms of categorization of debtors.

This Fruitless & Wasteful expenditure relating to BPB Sindi & Khayelihle Projects has been fully impaired subject to the outcomes of Section 32 of the MFMA.

### 11. VAT receivable

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
<b>11. VAT receivable (continued)</b>		
VAT	4,116,014	14,326,616
VAT is recognised / (accounted for) on a payments basis. Once payment is received from debtors VAT is paid over to SARS.		
<b>12. Short term investments</b>		
<b>The municipality has the following short term investments</b>		
ABSA Bank Account - Stanger Branch Account Number 2068872069	-	7,666,032
ABSA Bank Account - Stanger Branch Account Number 2068912186	-	7,639,734
ABSA Bank Account - Durban Branch Account Number 2070596495	-	13,717,515
ABSA Bank Account - Stanger Branch Account Number 2070924953	-	13,466,485
ABSA Bank Account - Stanger Branch Account Number 2072795649	-	12,346,502
ABSA Bank Account - Stanger Branch Account Number 2073097787	-	12,354,649
ABSA Bank Account - Stanger Branch Account Number 2073166734	13,199,755	12,148,877
Absa Bank Account - Durban Branch Account Number 2074191310	-	11,453,503
Investec Bank Account - Durban Branch Account Number 1100-482666-452	-	24,935,279
Investec Bank Account - Durban Branch Account Number 1100-482666-453	12,514,092	12,045,601
Investec Bank Account - Durban Branch Account Number 1100-482666-454	-	12,087,764
Investec Account - Durban Branch Account Number 1100--482666-455	-	10,803,290
Investec Bank Account - Durban Branch Account Number 1100-482666-451	-	20,000,000
Nedbank Bank Account - Stanger Branch Account Number 03 7881022337-000158	-	16,124,484
Nedbank Account - Stanger Branch Account Number 41299507-9992	12,994,713	12,065,430
Standard Bank Account - Stanger Branch Account Number 058756442-079	-	6,335,979
Standard Bank Account - Stanger Branch Account Number 058756442083	13,525,343	12,503,916

## Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
Standard Bank Account - Stanger Branch Account Number 058756442-081	-	12,050,342
First National Bank Account - Stanger Branch Account Number 71186421337	19,510,033	17,969,437
Nedbank Account - Stanger Branch Account Number 31337173 - 9969	14,965,672	13,873,804
Investec Bank Account - Durban Branch Account Number 1100-482666-456	23,326,469	21,463,978
Standard Bank Account - Durban Branch Account Number 058756442-085	11,079,509	10,000,000
Nedbank Account - Stanger Branch Account Number 9996-19832841	100,911	94,599
Nedbank Account - Stanger Branch Account Number 9997-19832841	175,623	164,638
First National Bank Account - Stanger Branch Account Number 71039219855	68,423	64,242
	<b>121,460,543</b>	<b>293,376,080</b>

#### 13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,073,863	1,648,153
Bank balances	105,160,027	67,994,979
Short-term deposits	160,578,410	89,153,891
	<b>266,812,300</b>	<b>158,797,023</b>

#### Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for Housing Subsidies	344,956	323,478
--	---------	---------

#### The municipality had the following Investment and Bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
First National Bank Account - Stanger Branch Account Number 62099517743: Money Market Account	-	22,157,256	-	22,157,256
Nedbank Bank Account - Stanger Branch Account Number 31337173-9975: Call Account	7,531,509	7,023,762	7,531,509	7,023,762
First National Bank Account - Stanger Branch Account Number 62288308672	559,276	531,462	559,276	531,462
First National Bank Account - Stanger Branch Account Number 62288306147	279,056	265,696	279,056	265,696
First National Bank Account - Stanger Branch Account Number 62289159660	-	3,118,836	-	3,118,836

## Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017		2016	
<b>13. Cash and cash equivalents (continued)</b>				
First National Bank Account - Stanger Branch Account Number 62288308135	-	214,964	-	214,964
First National Bank Account - Stanger Branch Account Number 62289163215	-	685,975	-	685,975
First National Bank Account - Stanger Branch Account Number 62288305230	-	620,126	-	620,126
First National Bank Account - Stanger Branch Account Number 62288306618	-	186,961	-	186,961
First National Bank Account - Stanger Branch Account Number 62363519251	14,818,306	14,039,176	14,818,306	14,039,176
Investec Bank Account - Durban Branch Account Number 1100-482666-452	27,141,026	-	27,141,026	-
ABSA Account - Durban Branch Account Number 93 1800 0892	39,511,557	40,309,686	39,511,557	40,309,686
ABSA Bank Account - Stanger Branch Account Number 933 0098057	47,530,457	-	47,530,457	-
ABSA Bank Account - Stanger Branch Account Number 932 12992298	656,247	-	656,247	-
ABSA Bank Account - Stanger Branch Account Number 932 1890676	197,563	-	197,563	-
ABSA Bank Account - Stanger Branch Account Number 932 1890529	728,351	-	728,351	-
ABSA Bank Account - Stanger Branch Account Number 932 1063433	2,490,060	-	2,490,060	-
ABSA Bank Account - Stanger Branch Account Number 932 1889635	3,314,235	-	3,314,235	-
ABSA Bank Account - Stanger Branch Account Number 932 1890113	227,166	-	227,166	-
ABSA Bank Account - Stanger Branch Account 932 3556707	10,474,227	-	10,474,227	-
ABSA Bank Account - Stanger Branch Account Number 932 688591	5,119,376	-	5,119,376	-
Primary Bank Account	-	30,844,213	-	30,844,213
First National Bank Account - Stanger Branch Account Number 53730256310: Cheque Account				
First National Bank Account - Ballito Branch Account Number 53730076916: Cheque Account				
Primary Bank Account ABSA Bank Stanger Branch Account Number 4087 627126	75,438,419	-	75,438,419	-



# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017		2016	
<b>13. Cash and cash equivalents (continued)</b>				
Housing Bank Account	-	902,687	-	902,687
First National Bank Account - Stanger Branch Account Number 62020550077: Cheque Account				
Housing Bank Account	-	14,448,739	-	14,448,739
First National Bank Account - Stanger Branch Account Number 62015681225: Cheque Account				
Housing Bank Account	-	62,545	-	62,545
First National Bank Account - Stanger Branch Account Number 62031878624: Cheque Account				
Housing Bank Account	-	48,351	-	48,351
First National Bank Account - Stanger Branch Account Number 62031876800: Cheque Account				
Housing Bank Account	-	149,242	-	149,242
First National Bank Account - Stanger Branch Account Number 62059290454: Cheque Account				
Housing Bank Account	-	41,287	-	41,287
First National Bank Account - Stanger Branch Account Number 62059290561: Cheque Account				
Fines Bank Account	1,065,580	978,171	1,065,580	978,171
First National Bank Account - Stanger Branch Account Number 62079758268: Cheque Account				
Grants Bank Account (2)	13,061,346	5,279,006	13,061,346	5,279,006
First National Bank Account - Stanger Branch Account Number 74303898107: Cheque Account				
Housing Bank Account	-	15,240,729	-	15,240,729
First National Bank Account - Stanger Branch Account Number 62416012649: Cheque Account				
ABSA Bank - Stanger Branch Account Number 408 8890536	1,595,066	-	1,595,066	-
ABSA Bank - Stanger Branch Account Number 408 8890196	901,405	-	901,405	-
ABSA Bank - Stanger Branch Account Number 408 889105	12,784,189	-	12,784,189	-
ABSA Bank - Stanger Branch Account Number 408 8893047	50,107	-	50,107	-
ABSA Bank - Stanger Branch Account Number 408 8892732	63,678	-	63,678	-
ABSA Bank - Stanger Branch Account Number 408 8893047	157,903	-	157,903	-
ABSA Bank - Stanger Branch Account Number 408 8893306	42,332	-	42,332	-

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017		2016	
<b>13. Cash and cash equivalents (continued)</b>				
Petty Cash & Cash on hand	1,073,863	1,648,153	1,073,863	1,648,153
<b>Total</b>	<b>266,812,300</b>	<b>158,797,023</b>	<b>266,812,300</b>	<b>158,797,023</b>
<b>14. Revaluation reserve</b>				
Opening balance			9,813,137	9,813,137
Change during the year			-	-
			<b>9,813,137</b>	<b>9,813,137</b>
<b>15. Housing Operating Account</b>				
The Housing Operating Account is represented by the following assets and liabilities.				
Fixed Assets			2,757,889	2,812,295
Housing Inventory			167,164	266,453
Debtors			190,094	155,359
Debtors: Department of Housing			251,934	251,934
Accumulations			5,591,598	5,327,470
Prepaid Debtors			(230,523)	(85,355)
			<b>8,728,156</b>	<b>8,728,156</b>
<b>16. Leases</b>				
<b>Minimum lease payments due</b>				
- within one year			4,131	49,578
- in second to fifth year inclusive			-	4,132
			4,131	53,710
less: future finance charges			(33)	(2,929)
<b>Present value of minimum lease payments</b>			<b>4,098</b>	<b>50,781</b>
<b>Present value of minimum lease payments due</b>				
- within one year			4,098	46,683
- in second to fifth year inclusive			-	4,098
			<b>4,098</b>	<b>50,781</b>
Non-current lease liabilities			-	4,098
Current lease liabilities			4,098	46,683
			<b>4,098</b>	<b>50,781</b>

The municipality has entered into a 2 year Finance lease contract with Vodacom for the supply of 14 Laptops on 01 August 2015. The laptops were recognized at the present value of R89 776 and amortized @ 9.73% interest rate.

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

### OPERATING LEASES

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

### 16. Leases (continued)

#### OPERATING LEASES - RECEIVABLES

The future minimum lease payments receivable under operating leases for the actual receivables are as follows:

No later than 1 year	614,366	585,110
Later than 1 year and no later than 5 years	2,780,394	2,647,994
Later than 5 years	3,379,586	4,126,351
	<b>6,774,346</b>	<b>7,359,455</b>

Salient leases

The municipality has entered into a non-cancellable lease with a private contractor to operate the Dolphin Caravan park. The lease runs for a period of 25 years, starting 1 July 2001. Real rental income escalates at 5% per annum.

#### OPERATING LEASES - PAYABLE

The future minimum lease payments payable under operating leases for the actual payables are as follows:

No later than 1 year	1,844,906	1,708,253
Later than 1 year and no later than 5 years	346,756	2,191,662
Later than 5 years	-	-
	<b>2,191,662</b>	<b>3,899,915</b>

The municipality has entered into lease agreement with Shann Investments (PTY) LTD for the occupation of premises. The lease runs for a period of 3 years, terminating on the 31 August 2018, with an option to extend for a further 2 years. Real rental expense escalates at 8% per annum.

### 17. Unspent conditional grants, receipts and Public contributions

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Department of Minerals and Energy DME (INEP)	8,091,358	-
Museum	-	186,027
Department of Sports and Recreation	182,596	182,596
Municipal Assistance Programme	284,402	284,402
New Library	511,360	341,643
Ethembeni / Charlotdale Precent	-	117,614
Disaster Rough Seas	191,449	836,320
Housing Accreditation	17,244,341	17,970,198
Ballito Junction Road	7,033,374	-
IFA Hulletts Sports Facility	4,289,492	4,380,975
IFA Hulletts Beach Node Development	8,828,247	-
	<b>46,656,619</b>	<b>24,299,775</b>

See note 26 for reconciliation of grants from National/Provincial Government.

These amounts are ring-fenced until utilised.

### 18. Current Provisions

#### Reconciliation of current provisions - 2017

	Opening Balance	Adjustment to Provisions	Utilised during the year	Reversed during the year	Total
Reimbursement of Developers Contributions	16,243,342	-	(5,204,267)	(11,039,075)	-
Rehabilitation of Landfill Site	1,355,656	73,206	-	-	1,428,862

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

### 18. Current Provisions (continued)

17,598,998	73,206	(5,204,267)	(11,039,075)	1,428,862
------------	--------	-------------	--------------	-----------

### Reconciliation of non-current provisions - 2017

	Opening Balance	Adjustment to Provision	Utilised during the year	Total
Rehabilitation of landfill site	8,134,130	1,207,699	-	9,341,829
Total Non-current provisions			9,341,828	8,134,130
Total Current provisions			1,428,862	17,598,998
<b>Total Provisions</b>			<b>10,770,690</b>	<b>25,733,128</b>

The provision created for the rehabilitation of the landfill site is based on a professional study conducted by Ecological and Environmental Services of the rehabilitation costs of the Shakaville dumpsite.

The provision is calculated in line with the medium term revenue and expenditure framework of the Council. Council intends commencing spending against this provision in accordance with the 2017/2018 operating budget over a period of two (2) years.

The provision reflects a current value of R10 770 689.98 expenditure discounted net of a rate of 10.50% pa (Prime interest rate) (2016:- 10.50%).

### 19. Long Term Liabilities

#### Non Annuity Loans - Bank Loans

Bear interest at 8.23% to 10.60% and is redeemed in bi-annual instalments, including interest, over varying periods until 2032.

#### Utilisation of Long Term Liabilities

Long term liabilities have been used to finance Property, Plant & Equipment. The facility not yet utilized as at 30 June 2017 is R2 186 333.

Non Annuity Loans	238,942,003	253,630,169
<b>Current portion transferred to current liabilities</b>		
Non Annuity Loans	8,684,418	13,396,358
Total Long term liabilities	230,257,585	240,233,812

### 20. Trade and other payables

Trade payables	112,052,743	109,118,567
Payments received in advanced	18,737,229	18,532,965
Other Creditors	12,400,472	7,988,603
Housing Agency Creditor - Department of Human Settlements	11,629,031	13,255,097
Cheque payments not yet presented to bank	48,884	6,449,364
Deposits - other	4,189,928	4,296,544
Staff leave	13,228,982	11,865,870
Staff bonus	7,105,503	6,359,453
Retentions	25,022,232	22,395,349
	<b>204,415,004</b>	<b>200,261,812</b>

Payments in advance includes prepaid electricity accruals

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
<b>21. Deposits</b>		
<b>Consumer Deposits in respect of:</b>		
Electricity	31,393,486	30,167,576
<b>22. Service charges</b>		
Sale of electricity	681,463,439	622,057,567
Refuse removal	62,148,878	57,371,198
	<b>743,612,317</b>	<b>679,428,765</b>
<b>23. Other income</b>		
Contributions demand based	16,151,674	16,796,691
Building plan fees	5,854,267	6,185,146
Sundries	2,003,543	2,049,259
Electricity Availability	2,788,452	2,581,133
Proceeds from Insurance	1,157,340	1,853,604
Admin Charges	1,449,291	1,266,535
P445 - Contributions by Department of Transport	-	1,827,553
Sundry Income	10,610,479	12,867,151
Special Rating Areas Income	8,195,872	7,316,687
Ajustment to the provision of developers contributions	11,039,076	-
	<b>59,249,994</b>	<b>52,743,759</b>
<b>24. Investment revenue</b>		
<b>Interest revenue</b>		
Total Interest Earned on Investments & Bank Accounts	32,512,332	30,409,852
<b>25. Property rates</b>		
Residential	175,212,535	171,606,322
Commercial	101,864,407	78,425,101
Residential for Commercial purposes	1,243,318	1,102,257
Education and State	5,404,430	5,119,898
Agriculture	2,589,124	2,392,669
Vacant	59,172,415	50,242,886
Public Service Infrastructure	1,415,373	3,608,634
Total Actual Assessment Rates	346,901,602	312,497,767
Property rates - penalties imposed	10,536,945	7,391,326
<b>Assessment rates including Penalties</b>	<b>357,438,547</b>	<b>319,889,093</b>
<b>Property Valuations</b>		
Residential	37,464,898,500	36,337,895,500
Commercial	5,637,286,000	4,879,181,000
Residential for commercial purposes	190,040,000	178,480,000
Education and State	292,590,000	293,781,000
Municipal	574,371,000	579,407,000
Agriculture	3,464,638,000	3,486,087,000
Vacant	3,596,439,000	3,230,135,000
Land reform	1,193,388,000	1,142,736,000
Monuments	2,019,000	2,000,000
Public Service Infrastructure	3,210,992,000	3,210,242,000
Worship / Public Benefit Organisations	166,428,000	163,618,000

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

### 25. Property rates (continued)

<b>Total Property Valuations</b>	<b>55,793,089,500</b>	<b>53,503,562,500</b>
----------------------------------	-----------------------	-----------------------

The last general valuation came into effect on: 01.07.2014

Property rates levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004 (MPRA) with effect from 01/07/2007

Adjustments to the valuation roll in terms of Section 78 of the MPRA (as amended) are effected on an on-going basis. The adjustments take into account consolidations and subdivisions as well as property category changes.

#### Assessment rates: Cents in the rand on market valuation as follows:

Residential, informal settlements, land reform, monuments	0.635	0.599
Residential for commercial purposes	0.696	0.657
Agricultural	0.159	0.150
Industrial, business and commercial, vacant, public infrastructure, Municipal owned and worship	1.965	1.854
Properties used by an organ of state and used for public service purposes	1.965	1.854
Guest houses	1.770	1.670
Public service infrastructure	0.159	0.150

Improved residential properties: in addition to the statutory reduction of R15 000, a further reduction of R85 000 is approved for property values exceeding R130 000. Persons owning improved residential property with a rateable value of R130 000 and below will be not be liable for the payment of rates.

The first 30% of the valuation of Public Service infrastructure properties are exempt from the calculation of rates.

#### Rebates:

Land reform, worship, state land, PBO's, monuments, informal settlements and municipal owned property	100%	100%
---	------	------

#### Additional rebates applicable:

Excluded services	15%	15%
-------------------	-----	-----

#### All Pensioners

Pensioners under 65 years	25%	25%
Pensioners between 65 & 75 years	30%	30%
Pensioners older than 75 years	35%	35%

#### Industrial incentives including:

In the first year, thereafter phased out by 10% per annum down to 60%	100%	100%
---	------	------

#### Residential Developers incentive

In first & second year thereafter phased out by 10% per annum	100%	100%
Bonafide Agricultural properties	50%	50%
Phasing out of certain public infrastructure property	40%	20%

#### Rates are levied as follows (in terms of Section 26 of the Municipal Property Rates Act No. 6 of 2004) for the 2016/2017 financial year:

On an annual basis, by application, and the final date of payment being:	30 Sept 2016	30 Sept 2015
On a monthly basis, and the final dates of payment being the last working day of the month from August 2016 to June 2017.	-	-

Interest is levied on outstanding rates per annum at:	15.5% per annum	15.5% per annum
Plus collection charges two months after the final date of payment in respect of annual rate payers and 1 July in respect of monthly rate payers:	10%	10%

### 26. Government grants and subsidies

#### Operating grants

Equitable share	116,642,000	105,352,000
-----------------	-------------	-------------

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
<b>26. Government grants and subsidies (continued)</b>		
Municipal Infrastructure Grant	61,330,000	61,011,780
Financial Management Grant	1,725,000	1,700,000
Department of Minerals & Energy	1,908,642	18,000,000
Municipal Systems Improvement Grant	-	930,000
New Library Grant	367,283	270,139
Library Subsidy	2,929,000	2,894,000
Municipal Assistance Program	-	538,501
Museum	361,027	358,947
Disaster Rough Seas	644,871	163,680
Ilembe Shared Services Grant	-	333,857
Neighbourhood Development Partnership Grant	15,690,000	7,000,000
Ethembeni Charlotdale Precent	117,614	-
Expanded Public Works Program	1,288,152	1,418,000
Corridor Development	-	3,626,351
Housing Accreditation	4,713,017	2,258,052
Small Town Rehabilitation Grant	-	3,000,000
	<b>207,716,606</b>	<b>208,855,307</b>
<b>Equitable Share</b>		
Balance unspent at the beginning of year	-	-
Current-year receipts	116,642,000	105,352,000
Conditions met - transferred to revenue	(116,642,000)	(105,352,000)
	<b>-</b>	<b>-</b>
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
<b>Municipal Infrastructure Grant</b>		
Balance unspent at beginning of year	-	4,027,780
Current-year receipts	61,330,000	56,984,000
Conditions met - transferred to revenue	(61,330,000)	(61,011,780)
	<b>-</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 17).		
This grant was used for road and stormwater infrastructure, including the construction of community halls, creches and sportfields.		
<b>Financial Management Grant</b>		
Current-year receipts	1,725,000	1,700,000
Conditions met - transferred to revenue	(1,725,000)	(1,700,000)
	<b>-</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 17).		
This grant is used to assist the municipality to implement financial reforms required by the MFMA.		
<b>Department of Minerals &amp; Energy Grant</b>		
Balance unspent at beginning of year	-	-
Current-year receipts	10,000,000	18,000,000
Conditions met - transferred to revenue	(1,908,642)	(18,000,000)
	<b>8,091,358</b>	<b>-</b>

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
<b>26. Government grants and subsidies (continued)</b>		
Conditions still to be met - remain liabilities (see note 17).		
This grant is used for electrification projects as part of upgrading of informal settlement areas.		
<b>Municipal Systems Improvement Grant</b>		
Balance unspent at beginning of year	-	-
Current-year receipts	-	930,000
Conditions met - transferred to revenue	-	(930,000)
	-	-
Conditions still to be met - remain liabilities (see note 17).		
This grant is used to provide support to the municipality in the building of in-house capacity to perform legislative functions and stabilise institutional and governance systems..		
<b>New Library Grant</b>		
Balance unspent at beginning of year	341,643	101,782
Current-year receipts	537,000	510,000
Conditions met - transferred to revenue	(367,283)	(270,139)
	<b>511,360</b>	<b>341,643</b>
Conditions still to be met - remain liabilities (see note 17).		
This grant is for the payment of cyber cadets at the Shakaskraal and KwaDukuza libraries		
<b>Department of Sports and Recreation</b>		
Balance unspent at beginning of year	182,596	182,596
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	<b>182,596</b>	<b>182,596</b>
Conditions still to be met - remain liabilities (see note 17)		
This grant is used for the upgrading of the sports facilities: Chief Albert Luthuli Sportsfield.		
<b>Municipal Assistance Program</b>		
Balance unspent at beginning of year	284,401	822,902
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(538,501)
	<b>284,401</b>	<b>284,401</b>
Conditions still to be met - remain liabilities (see note 17).		
This grant is used to strengthen credit control and debt collection processes..		
<b>Museum</b>		
Balance unspent at beginning of year	186,027	378,973
Current-year receipts	175,000	166,000
Conditions met - transferred to revenue	(361,027)	(358,946)



# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
<b>26. Government grants and subsidies (continued)</b>		
	-	<b>186,027</b>
Conditions still to be met - remain liabilities (see note 17)		
This grant is for the museum expenditure incurred.		
<b>Disaster Rough Seas</b>		
Balance unspent at beginning of year	836,320	-
Current-year receipts	-	1,000,000
Conditions met - transferred to revenue	(644,871)	(163,680)
	<b>191,449</b>	<b>836,320</b>
Conditions still to be met - remain liabilities (see note 17).		
This grant is from Department of Provincial Local Government for the clean up operations of the beaches.		
<b>Ilembe Shared Services</b>		
Balance unspent at beginning of year	-	333,857
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(333,857)
	-	-
Conditions still to be met - remain liabilities (see note 17).		
This grant is for the hiring of a town planner for KwaDukuza area.		
<b>Neighbourhood Development Partnership</b>		
Balance unspent at beginning of year	-	10,711,391
Current-year receipts	15,690,000	7,000,000
Conditions met - transferred to revenue	(15,690,000)	(7,000,000)
Transferred to National Treasury	-	(10,711,391)
	-	-
Conditions still to be met - remain liabilities (see note 17).		
This grant is for Infrastructure development. - Woodmead project - R10.7m of the NDPG funds was returned to the National Treasury Fund in the prior year due to slow spending on the project.		
<b>Enthembeni Charlotdale Precent</b>		
Balance unspent at beginning of year	117,614	117,614
Current-year receipts	-	-
Conditions met - transferred to revenue	(117,614)	-
	-	<b>117,614</b>
Conditions still to be met - remain liabilities (see note 17).		
This grant is for community upliftment.		
<b>Expanded Public Works Program</b>		
Balance unspent at beginning of year	-	-

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
<b>26. Government grants and subsidies (continued)</b>		
Current-year receipts	1,288,152	1,418,000
Conditions met - transferred to revenue	(1,288,152)	(1,418,000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

EPWP Grant funding is used to expand job creation efforts in specific focus areas where labour intensive delivery methods can be measured.

### Corridor Development

Balance unspent at beginning of year	-	3,626,351
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(3,626,351)
	-	-

Conditions still to be met - remain liabilities (see note 17).

This grant is for community upliftment.

### Library Subsidy

Balance unspent at beginning of year	-	-
Current-year receipts	2,929,000	2,894,000
Conditions met - transferred to revenue	(2,929,000)	(2,894,000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

This grant is used to fund operational expenditure within the various libraries in KwaDukuza.

### Small Town Rehabilitation Grant

Balance unspent at beginning of year	-	3,000,000
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(3,000,000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

This grant is for community upliftment.

### Housing Accreditation Grant

Balance unspent at beginning of year	17,970,200	15,922,692
Current-year receipts	3,987,160	4,305,560
Conditions met - transferred to revenue	(4,713,017)	(2,258,052)
	<b>17,244,343</b>	<b>17,970,200</b>

Conditions still to be met - remain liabilities (see note 17).

This grant is for community upliftment.

## 27. Public Contributions

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
<b>27. Public Contributions (continued)</b>		
IFA Hulletts Sports Facility	91,484	-
Ballito Junction Road	3,000,000	-
IFA Hulletts Beach Node Development	1,171,753	-
	<b>4,263,237</b>	<b>-</b>
<b>Reconciliation of conditional contributions</b>		
Balance unspent at beginning of year	4,380,976	4,380,976
Current-year receipts	20,033,374	-
Conditions met - transferred to revenue	(4,263,237)	-
<b>Balance unspent at end of year (Note 16)</b>	<b>20,151,113</b>	<b>4,380,976</b>
Conditions still to be met - remain liabilities (see note 17)		
<b>28. Employee related costs</b>		
Basic	174,859,046	156,721,977
Bonus	13,454,122	12,527,230
Medical aid - company contributions	18,811,478	15,782,371
UIF	1,613,965	1,492,396
SDL	2,592,978	2,321,507
Industrial council levies	88,151	81,617
Leave pay provision charge	4,726,598	5,076,299
Leave & bonus provision expense	2,109,161	740,082
Travelling allowances	12,910,445	10,836,671
Overtime payments	48,064,526	41,064,733
Housing benefits and allowances	773,527	752,509
Workmans Compensation	2,339,891	1,838,469
Group Life Assurance	994,748	898,562
Pension Contributions	30,924,772	28,065,352
Standby, Uniform, Telephone and Tool allowances	6,200,429	4,607,581
	<b>320,463,837</b>	<b>282,807,356</b>
<b>Remuneration of Municipal Manager</b>		
Total Cost to Council	<b>1,695,245</b>	<b>1,776,546</b>
<b>Remuneration of Chief Financial Officer</b>		
Annual Remuneration	1,038,850	1,145,704
Car Allowance	437,628	200,111
Contributions to UIF, Medical and Pension Funds	228,512	328,679
	<b>1,704,990</b>	<b>1,674,494</b>
<b>Executive Director: Economic Development &amp; Planning</b>		
Annual Remuneration	1,013,177	960,123
Car Allowance	96,000	96,000
Contributions to UIF, Medical and Pension Funds	244,772	238,415
	<b>1,353,949</b>	<b>1,294,538</b>
<b>Executive Director: Corporate Services</b>		
Annual Remuneration	1,178,701	1,117,689
Car Allowance	96,000	96,000

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

### 28. Employee related costs (continued)

Contributions to UIF, Medical and Pension Funds	14,432	13,817
	<b>1,289,133</b>	<b>1,227,506</b>

#### Executive Director: Municipal Services

Annual Remuneration	-	1,036,768
Car Allowance	-	82,874
Contributions to UIF, Medical and Pension Funds	-	12,746
	<b>-</b>	<b>1,132,388</b>

This directorate has been disestablished with effect 01 June 2016 and replaced with the Community Safety Directorate and Community Services Directorate.

#### Executive Director: Community Safety

Annual Remuneration	1,507,642	91,047
Car Allowance	36,000	3,000
Contributions to UIF, Medical and Pension Funds	17,241	1,090
	<b>1,560,883</b>	<b>95,137</b>

The Executive Director: Community Safety took up position on 01 June 2016.

#### Executive Director: Community Services

Annual Remuneration	1,236,955	132,113
Car Allowance	180,000	15,000
Contributions to UIF, Medical and Pension Funds	164,501	1,597
	<b>1,581,456</b>	<b>148,710</b>

The Executive Director: Community Services took up post on 01 June 2016.

#### Executive Director: Corporate Governance

Annual Remuneration	950,160	973,080
Car Allowance	185,400	185,400
Contributions to UIF, Medical and Pension Funds	219,060	225,438
	<b>1,354,620</b>	<b>1,383,918</b>

#### Executive Director: Civil Services

Annual Remuneration	1,012,006	947,810
Car Allowance	96,000	95,898
Contributions to UIF, Medical and Pension Funds	177,817	167,198
	<b>1,285,823</b>	<b>1,210,906</b>

### 29. Remuneration of Councillors

Mayor	731,034	733,188
Deputy Mayor	599,733	650,515
Speaker	589,599	591,173
Executive Committee (EXCO)	4,769,926	5,513,441
Councillors	10,697,755	9,581,861
Councillors' pension contribution	1,459,289	1,435,246
Traditional leaders	62,400	39,000

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
<b>29. Remuneration of Councillors (continued)</b>	<b>18,909,736</b>	<b>18,544,424</b>
<b>30. Depreciation and amortisation</b>		
Property, Plant and equipment	58,537,395	50,488,602
Intangible assets	2,667,500	2,416,761
	<b>61,204,895</b>	<b>52,905,363</b>
<b>31. Impairment of assets</b>		
<b>Impairments</b>		
Property, Plant & Equipment	2,212,551	16,690,667
<b>32. Finance costs</b>		
Finance costs on borrowings	24,515,486	24,880,004
<b>33. Debt impairment</b>		
Contributions to debt impairment provision	16,226,622	16,006,684
Bad debts written off	2,048,230	4,322,540
	<b>18,274,852</b>	<b>20,329,224</b>
<b>34. Bulk purchases</b>		
Electricity	552,550,861	488,650,902
Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom and Nersa approved a 7.857% tariff hike in favour of Eskom for the 2016/2017 financial year.		
<b>35. General expenses</b>		
Dump Charges	11,226,439	10,292,532
Replacement of faulty meters	18,690	1,072,095
Indigent Support - Parks & Gardens Department	10,964,632	12,067,165
Indigent Support - Waste Management Department	2,519,677	1,655,440
Security Services	15,421,218	12,130,322
Shark Control Expenditure	3,574,301	3,396,656
Call out to consumer complaints	2,964,434	1,688,237
Legal costs	4,663,842	4,491,881
Marketing	901,200	952,000
Audit fee - External audit	3,213,570	3,421,172
Bank Charges	2,745,941	3,044,179
Insurance - General	2,097,202	1,999,738
Refuse Bags / Contract	3,584,890	1,755,804
Valuations & Valuation Rolls	721,342	1,550,654
Ward Committee Members	2,341,206	2,649,359
Ballito Pro Expenditure	7,938,970	7,389,235
Advertising	1,526,309	3,630,234
Printing, Stationery and Postage	3,728,500	3,684,691
Subscriptions	3,076,485	2,796,556

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
<b>35. General expenses (continued)</b>		
Water and Sanitation	4,544,881	2,151,088
Sundry Oils and Fuels	7,298,928	6,498,760
Street Lighting Consumption	4,238,201	3,944,190
Staff and Councillor Training Costs and Bursaries	2,270,100	2,122,523
Travelling and Subsistence	1,626,376	1,760,519
Telephone Calls / Rentals	4,189,243	3,885,543
Protective Clothing	3,240,543	2,435,729
Non Standard Service Connection	675,273	976,211
Software Support & Licences and Agreements	2,775,064	2,453,750
Miscellaneous Expenses	32,374,153	28,865,905
Professional Fees	4,333,424	6,043,040
Special Rating Areas Expenditure	8,031,402	6,001,536
mSCOA Implementation	1,252,098	-
Rent of Property / Offices / House	1,708,253	1,580,566
EPWP	4,139,362	2,053,030
Housing Accreditation	2,178,433	998,546
Public Affairs	2,559,851	1,847,778
Sukuma Sakhe	3,521,482	2,038,161
KwaDukuza Music festival	1,856,842	1,399,123
Kwanaloga games	1,174,821	575,320
	<b>177,217,578</b>	<b>157,299,268</b>
<b>36. Fair value adjustments</b>		
Investment property (Fair value model)	5,765,000	2,185,000
<b>37. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Approved and Contracted for:</b>		
• Infrastructure	76,849,823	161,279,460
• Community	25,696,873	33,110,193
	<b>102,546,696</b>	<b>194,389,653</b>
<b>Total capital commitments</b>		
Approved and Contracted for:	102,546,696	194,389,653
Capital Commitments are exclusive of VAT.		
<b>38. Contingent Liabilities</b>		
<b>Details of Contingent Liabilities</b>		
Reimbursement of capital costs of bulk supply to developers: (Vat Exc).	128,940,282	116,972,719
The reimbursement is dependent on the developers meeting future targets as set out in the service level agreements. The timing and outcome of the reimbursements cannot presently be determined and therefore no provision for any liability that may result has been made in the financial statements.		
Municipality is being sued arising out of a minor child sustaining injuries allegedly after being electrocuted when she touched a light pole in Hulett Street.	260,000	260,000

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
<b>38. Contingent Liabilities (continued)</b>		
Nyathi Sugar Ridge CC is suing the municipality due to losses incurred by a damaged electrical pole setting alight the sugar cane.	677,334	677,334
Municipality is being sued by S Govender pertaining to a collision involving a vehicle owned by the Municipality.	130,000	130,000
Municipality is being sued by Sappi Southern Africa Limited for loss of revenue and additional expenditure incurred due to various power outages.	-	4,465,728
S T B Dlamini -Allegations of the Municipality's contractors encroaching onto grave sites	100,000	100,000
Municipality is being sued for damages - plaintiff shot in leg by municipal employee using a municipal firearm.	150,000	3,000,000
Inqubeko Yamaqungebe Trading - claim against the municipality where the plaintiff alleges that the municipality unilaterally terminated the contract which had been concluded by the parties.	75,000	2,000,000
Crossmoor Transport - municipality is being sued for non payment of services rendered.	-	231,174
E M & N Engineering - possible cost order	-	200,000
SMADA Construction - municipality is being sued for contractual damages due to cancellation of contract.	200,000	-
R Lutchman - Claim against the municipality due to damages to vehicle caused by pot holes.	8,192	-
N Dube and V Hlatswayo - claim against the municipality arising from vehicle collusion with municipal vehicle.	18,950	-
T Mthembu - Claim against the municipality due to damages to vehicle caused by pot holes.	10,012	-
Ibhongo Consulting - the supplier claims that certain work undertaken has not been paid.	418,352	-
	<b>130,988,122</b>	<b>128,036,955</b>

### 39. Related parties and close family members

#### Related Parties

##### Councillor: R Singh

General Expenses for the year:	-	4,210,617
Balance outstanding at the end of the year:	-	-

Nature of Transaction: The Council has entered into a contract for grasscutting with a relative of the Councillor.

##### Staff member: P Murugan

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

### 39. Related parties and close family members (continued)

General Expenses for the year:	141,800	312,058
Balance outstanding at the end of the year:	-	-

Nature of Transaction: The brother of the employee provide pest control services to the municipality.

#### Councillor: B B Singh

General Expenses for the year	-	588,620
Balance outstanding at the end of the year:	-	-

Nature of Transaction: The spouse of the Councillor owns a travel agency. Council conducted business with this CC.

#### Staff member: S I Tswana

General Expenses for the year	-	8,070
Balance outstanding at the end of the year:	-	-

Nature of Transaction: The brother of the employee hires out sound equipment to the municipality for public meetings.

#### Councillor: G Govender

General Expenses for the year:	-	161,748
Balance outstanding at the end of the year:	-	-

Nature of Transaction: The son of the Councillor owns a company that provides panel beating and spray painting services. Council conducts business with this company,

#### Councillor: R Singh

General Expenses for the year:	80,909	-
Balance outstanding at the end of the year:	-	-

Nature of Transaction: The son of the Councilor owns a company that provides printing services. Council conducts business with this company.

Payments of remuneration to Senior Managers and Councillors - details of payments are set out in Notes 28 & 29

AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE:	Expenditure 2016/2017	Individual Name / Service Provider	Relation in Service Of the State	State Employer
Melokuhle Trading	11,482	T Nzuza	Spouse	KwaDukuza Municipality
Loveshan Naicker Investments	316,500	L Naicker	Father	KwaDukuza Municipality
SMEC	3,418,883	M Phosa	Spouse	National Assembly
Conlog	760,124	Mr Moodley & Mr Gaxeni	Spouse	KZN Dept. Of Health / Eskom
	<b>4,506,989</b>			

The above disclosure is provided in accordance with S45 of the Supply Chain Management Regulations GG 27636.

### 40. Change in estimate

#### Property, Plant and equipment

The Municipality reviewed the useful lives of items of property, plant and equipment and intangible assets. Adjustments to these useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well. As a result of this adjustment, the current year total depreciation increased by a net R1 516 594 and will continue to affect annual depreciation for the remainder of these assets' useful lives. The detail breakdown of the depreciation adjustment is as follows:

Buildings	(17,724)	141,546
Housing Assets	(9,337)	64,301



# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
<b>40. Change in estimate (continued)</b>		
Electricity Infrastructure	(853,007)	795,241
Stormwater	124,431	1,677,085
Roads Infrastructure	(136,852)	351,136
Solid Waste	(4,910)	3,033
Cemetries	(906)	27,596
Furniture and Fittings	(1,034,527)	(1,464,880)
Vehicles	629,640	(512,287)
Intangible Assets	(199,189)	(441,108)
Leased Assets	(14,213)	(28,480)
	<b>(1,516,594)</b>	<b>613,183</b>

### 41. Prior period errors

The comparatives for 2015/2016 have been restated in respect of the following errors

#### Statement of financial position

<b>Restatement of Property, plant and equipment (Note 3)</b>	-
Property, plant and equipment as previously reported	1,741,761,801
Adjustments to prior year Buildings	2,978,382
Adjustments to prior year roads infrastructure assets	10,035,454
Adjustments to prior year stormwater infrastructure assets	5,364,389
Adjustments to prior year electrical infrastructure assets.	6,560,055
Adjustments to prior year furniture and fittings.	96,211
Adjustments to prior year developed land.	(5,631,250)
Adjustments to prior year undeveloped land	(54,485,000)
Adjustments to prior year assets under construction	(26,569,900)
<b>Restated Balance as at 30 June 2016</b>	<b><u>1,680,110,141</u></b>
<b>Restatement of Non-Exchange Receivables</b>	-
Non-Exchange Receivables as previously reported	83,251,505
Adjustments to prior year rates revenue in respect of S78 adjustments.	(2,311,748)
Adjustments to bad debts written off 2015/16 in respect of Rates debtors.	16,172
<b>Restated Balance as at 30 June 2016</b>	<b><u>80,955,929</u></b>
<b>Restatement of Exchange Receivables</b>	-
Exchange Receivables as previously reported	60,488,594
Adjustments to bad debts written off 2015/16 in respect of Service debtors	33,560
<b>Restated Balance as at 30 June 2016</b>	<b><u>60,522,154</u></b>
<b>Restatement of Trade and other payables</b>	-

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
<b>41. Prior period errors (continued)</b>		
Trade and other payables as previously reported		201,344,602
Adjustment to prior year expenditure		326,750
Adjustment to prior 2015/16 expenditure in respect of duplication of accrual		(1,506,742)
Adjustment to 2015/16 accruals - roads not capitalised on completion		97,200
<b>Restated Balance as at 30 June 2016</b>		<b><u>200,261,809</u></b>
<b>Restatement of Unspent Conditional Grants and receipts</b>		-
Unspent Conditional Grants and receipts as previously reported		19,918,799
Adjustment to 14/15 transfer to revenue in respect of IFA Hulletts Sports Facility		4,380,976
<b>Restated Balance as at 30 June 2016</b>		<b><u>24,299,775</u></b>
<b>Restatement of Investment Property</b>		-
Investment Property as previously reported		89,470,000
Net movement in prior year adjustments to investment properties		58,500,000
<b>Restated Balance as at 30 June 2016</b>		<b><u>147,970,000</u></b>
<b>Statement of financial performance</b>		
Surplus for the year as previously stated		119,260,786
Property Rates		-
Adjustments to Rates Revenue 2015/16 in respect of S78 adjustments.		(2,125,691)
General Expenses		-
Adjustment to General Expenses 2015/2016 due to various payments.		(326,750)
Bad debts written off		-
Adjustment to Bad debts written off 2015/2016 due to various consumer payments.		49,732
Fair Value adjustment of Investment Properties		-
Adjustment to fair value of Investment properties due to decrease in fair value of ERF 118 PTN 23		(110,000)
Depreciation		-
Adjustment to prior year depreciation stemming from various PPE adjustments.		(395,353)
Disposal of Assets		-
Adjustment to 2015/2016 disposal of asset expense due to derecognition of developed land		(38,000)
<b>Restated Balance as at 30 June 2016</b>		<b><u>116,314,724</u></b>
<b>Restatement of Accumulated Surplus 30 June 2015</b>		
Accumulated Surplus 2015 as previously stated:		1,693,252,311
Adjustments to General expenses in respect of duplicated accrual		1,506,742

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
<b>41. Prior period errors (continued)</b>		
Reclassification of 2014/2015 Investment Properties transferred from Developed land (ERF 1178 Ptn 23)		(4,890,000)
Adjustments to 2014/2015 accumulated surplus due to various PPE adjustments		2,184,494
Adjustment to 2014/2015 Receivables from Non-Exchange - Section 78 adjustments		(186,058)
Adjustment to Government Grants & Subsidies 2015/2016 due to incorrect recognition of revenue.		(4,380,976)
		<b>1,687,486,513</b>
<b>42. Cash flows from Operating Activities</b>		
<b>Operating Surplus before working capital</b>		
Total Surplus for the year	156,838,407	116,314,728
<b>Adjusted for:</b>		
Depreciation of Property, Plant and Equipment	58,537,398	50,488,602
Donations of assets	(2,873,732)	(3,663,174)
Gains on disposal of assets	(4,907,565)	(50,000)
Assets written off PPE	9,062,457	10,709,088
Impairment loss	2,212,552	16,690,665
Amortisation of intangible assets	2,667,500	2,416,761
Contribution to provision	(14,962,438)	17,273,380
Retirement obligation	6,240,079	17,405,031
Long service award	1,793,054	328,267
Investment properties - fair value	(5,765,000)	(2,185,000)
Allowance for impairment	16,226,622	16,006,685
Bad debts written off	2,048,229	4,322,539
Interest earned on Investments	(32,512,332)	(30,409,852)
Finance expense	24,515,485	24,880,004
	<b>219,120,716</b>	<b>240,527,724</b>
<b>Cash Generated by Operations</b>		
Operating Surplus before working capital	219,120,716	240,527,724
<b>Movement in current assets and liabilities</b>		
(Increase)/decrease in inventory	399,022	(640,348)
Increase/(Decrease) in conditional grants and receipts	22,356,843	(14,926,162)
(Increase)/decrease in trade and other receivables	(60,486,115)	(44,406,188)
Increase/(decrease) in trade and other payables	4,153,195	20,590,531
Increase/Decrease in VAT	10,210,602	(9,528,036)
Opening balance restatement of accumulated surplus	-	(5,765,798)
	<b>195,754,263</b>	<b>185,851,723</b>
<b>43. Fines</b>		
Total revenue from fines income	21,039,564	16,076,516
Fines are issued in terms of S341 and S56 of the Criminal Procedures Act 51 of 1977.		
<b>44. Contracted Services</b>		
Refuse Removal	26,254,732	24,439,400
Grass Cutting	1,272,397	4,691,495
Asset Management Services	257,555	998,590

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand

Service and facilitation fees for roads and housing projects	124,375	1,200
Advertising	52,381	273,590
Marine Safety	-	58,500
Specialist financial and GRAP related services	434,837	-
Cemeteries	711,835	-
Forensic investigations	63,365	-
	<b>29,171,477</b>	<b>30,462,775</b>

### 45. Risk management

#### Financial risk management objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. The municipality's Corporate Treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the municipality. These risks include market risk (including, fair value and interest rate risk), credit risk and liquidity risk. The use of financial derivatives is governed by the municipality's policies approved by the Council, which provide written principles on interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<b>2017</b>	<b>1 Month or less</b>	<b>1-3 Months or less</b>	<b>3-12 Months or less</b>	<b>1-5 years</b>
Gross finance lease obligations	4,098	-	-	-
Long term borrowings	-	2,040,959	29,792,021	427,479,467
Trade and other payables	-	-	204,415,004	-
Other	46,656,619	-	-	-
	<b>46,660,717</b>	<b>2,040,959</b>	<b>234,207,025</b>	<b>427,479,467</b>
<b>2016</b>	<b>1 Month or less</b>	<b>1-3 Months or less</b>	<b>3-12 Months or less</b>	<b>1-5 years</b>
Gross finance lease obligations	4,132	8,263	37,184	4,098
Long term borrowings	-	2,148,561	35,737,111	460,830,091
Trade and other payables	-	-	200,261,812	-
Other	24,299,775	-	-	-
	<b>24,303,907</b>	<b>2,156,824</b>	<b>236,036,107</b>	<b>460,834,189</b>

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit exposure in respect of the relevant financial instruments is as follows (domestic exposure only)

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

### 45. Risk management (continued)

	2017	2016
Short term Investments	121,460,543	293,376,080
Cash and Cash Equivalents	266,812,300	158,797,023
Interest Rate Swaps	-	-
Financial Guarantees	-	-
Trade and Other receivables	184,777,318	142,566,055

### Market risk

#### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

Bank balances and cash	266,812,300	158,797,023
Short term Investments	121,460,543	293,376,080
<b>Maximum interest exposure</b>	<b>388,272,843</b>	<b>452,173,103</b>

### Price risk

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investment

### 46. Events after the reporting date

NERSA has approved a 0.31% increase in Eskom bulk purchase tariffs. The effect of this and the resultant increase in our Electricity Tariff has been fully catered for in terms of the Council approved budget for the 2017/18 Financial Year.

### 47. Unauthorised expenditure

Overspending of amount appropriated in a vote	2,474,385	26,094,453
---	-----------	------------

#### Reconciliation of Unauthorised expenditure written off

Opening Balance	26,094,453	-
Incurred for the year	2,474,385	26,094,453
Written off by Council	(26,094,453)	-
<b>Remaining to be considered</b>	<b>2,474,385</b>	<b>26,094,453</b>

### 48. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	-	-
------------------------------------	---	---

#### Reconciliation of Fruitless and Wasteful expenditure written-off by Council

Opening Balance	3,718,033	3,718,033
Incurred for the year	-	-
Written Off by Council	-	-
<b>Remaining to be considered</b>	<b>3,718,033</b>	<b>3,718,033</b>

#### Reconciliation of Fruitless and Wasteful expenditure condoned by National Treasury

Opening Balance	4,141,668	4,141,668
-----------------	-----------	-----------

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
<b>48. Fruitless and wasteful expenditure (continued)</b>		
Incurred for the year	-	-
Condoned by National Treasury	-	-
<b>Remaining to be considered</b>	<b>4,141,668</b>	<b>4,141,668</b>
<b>49. Irregular expenditure</b>		
Other goods and/or services not procured through competitive bidding processes.	13,280,385	4,601,243
Irregular expenditure pertaining to grass cutting contracts.	4,510,428	25,854,304
Section 36 approvals subsequently reclassified as irregular expenditure.	8,913,950	8,761,972
Irregular expenditure pertaining to banking services (FNB) .	138,786	2,764,021
Unauthorised MIG transfer to ILembe District Municipality written off by Council and approval of drawdown schedule is awaited by National Treasury,	-	6,100,223
Irregular expenditure pertaining to the procurement of refuse removal services.	37,801,706	35,356,159
Irregular expenditure pertaining to the procurement of security services.	14,901,897	11,974,628
Irregular Expenditure pertaining to Turnkey Appointments	166,352,753	70,722,793
Irregular Contract Awards	-	27,933,409
	<b>245,899,905</b>	<b>194,068,752</b>
<b>Reconciliation of Irregular Expenditure Written-off by Council</b>		
Opening Balance	227,269,062	33,200,310
Incurred for the year	245,899,905	194,068,752
Written-off by Council	-	-
<b>Remaining to be considered</b>	<b>473,168,967</b>	<b>227,269,062</b>
<b>Reconciliation of Irregular Expenditure Condoned by National Treasury</b>		
Opening Balance	389,534,481	195,465,729
Incurred for the year	245,899,905	194,068,752
Condoned by National Treasury	-	-
<b>Remaining to be considered</b>	<b>635,434,386</b>	<b>389,534,481</b>
<b>50. Deviation from supply chain management regulations</b>		
Emergency	6,264,956	1,701,450
Sole Provider	2,602,780	3,889,285
Acquisition of special work of art or historic objects where specifications are difficult to compile	1,726,640	558,000
Any other exceptional case which it is impractical to follow the official procurement process	6,249,906	6,117,199
Section 36 deviation transferred to irregular expenditure	(8,913,950)	(8,753,149)
<b>Total Section 36 deviations for the financial year</b>	<b>7,930,332</b>	<b>3,512,785</b>

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
<b>51. Repairs and Maintenance</b>		
Buildings	20,382,178	15,322,567
Solid waste	7,147	-
Electrical	16,966,850	12,388,838
Furniture and fittings	1,674,578	1,721,076
Housing	336,755	188,552
Roads	9,042,403	25,536,737
Stormwater	13,879,457	-
Vehicles	7,989,181	8,168,516
	<b>70,278,549</b>	<b>63,326,286</b>

## 52. Material losses incurred

Electricity distribution losses	96,239,311	78,090,094
Bad debts written off	2,048,430	4,372,271

Electricity energy losses of 108,752,873 kWh as at June 2017 (June 2016: 96,775,362 kWh) occurred during the year which resulted in revenue loss amounting to R96,239,311 (June 2016: R 78,090,094). The National norm for electricity losses ranges from 6% to 12%. The energy loss incurred by the municipality as at June 2017 is 17,01% (June 2016: 15, 87%) and is mainly due to transmission/distribution losses and illegal connections.

## 53. Councillor's Arrear Consumer Accounts as at 30 June 2017

In terms of S124 (1) (b) the following particulars are disclosed in respect of any arrears owed by individual councillors during the financial year:

The following Councillors had debt in excess of 90 days for the months stipulated below

### Councillor: L A E Yingwana

August 2016	1,667
September 2016	1,813
October 2016	1,813
November 2016	2,106
The above debt has been fully settled.	

### Councillor: M Naidoo

July 2016	4,915
August 2016	2,214
September 2016	987
The above debtor has been fully settled.	

### Councillor: D H Mthembu

August 2016	2,188
September 2016	2,221
October 2016	1,353
November 2016	1,386
December 2016	1,418
January 2017	1,451
February 2017	1,483
March 2017	1,516
April 2017	1,549
May 2017	1,581
June 2017	1,614
The above debt has been fully settled.	

### Councillor V Govender

August 2016	112,521
-------------	---------

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
<b>53. Councillor's Arrear Consumer Accounts as at 30 June 2017 (continued)</b>		
September 2016	129,034	
October 2016	144,131	
November 2016	86,921	
December 2016	101,370	
January 2017	104,862	
February 2017	102,737	
March 2017	101,347	
April 2017	87,807	
June 2017	69,308	
<b>Councillor: V Govender</b>		
August 2016	57,916	
September 2016	59,054	
October 2016	60,200	
November 2016	27,557	
December 2016	28,271	
January 2017	28,990	
February 2017	29,716	
March 2017	30,448	
April 2017	31,187	
May 2017	31,932	
June 2017	22,684	
<b>Councillor V Govender</b>		
August 2016	4,947	
September 2016	5,226	
October 2016	5,508	
March 2017	717	
April 2017	954	
May 2017	1,194	
June 2017	1,436	
<b>Councillor: V Govender</b>		
August 2016	189,996	
September 2016	192,970	
October 2016	197,829	
November 2016	202,543	
December 2016	207,350	
January 2017	211,975	
February 2017	216,778	
March 2017	221,333	
April 2017	225,521	
May 2017	230,686	
June 2017	235,787	
<b>Councillor: V Govender</b>		
December 2016	21,265	
January 2017	21,971	
February 2017	22,266	
March 2017	22,679	
April 2017	23,071	
May 2017	23,602	
June 2017	24,124	



# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
<b>53. Councillor's Arrear Consumer Accounts as at 30 June 2017 (continued)</b>		
<b>Councillor: Mthembu N R</b>		
October 2016	755	
November 2016	975	
December 2016	1,198	
The above debt has been fully settled		
 In terms of S124 (1) (b) the above are disclosed in respect of any arrears owed by individual Councillors during the financial year. These Councillors had debt in excess of 90 days for the months as stipulated.		
<b>54. Contributions to Organised Local Government</b>		
Amount paid current year	(3,075,474)	(2,819,370)
Balance paid in advance	-	6,079
<b>55. Audit Fees</b>		
Amount paid - current year	(3,663,470)	(3,421,172)
Balance unpaid (included in creditors)	-	-
<b>56. VAT</b>		
VAT received for the year	46,117,182	29,978,364
VAT paid for year	135,306	-
VAT input receivables and VAT output payables are shown in Note 11. All VAT returns have been submitted by the due date throughout the year.		
<b>57. PAYE and UIF</b>		
Current year payroll deductions	(49,610,289)	(43,535,807)
Balance unpaid (included in creditors)	-	-
<b>58. Pension and Medical Aid deductions</b>		
Current year payroll deductions and council contributions	(76,944,255)	(72,201,791)
Balance unpaid (included in creditors)	-	-
<b>59. Budget differences</b>		
<b>Material differences between budget and actual amounts</b>		

# Kwa Dukuza Municipality

(Registration number KZN 292)

Unaudited Annual Financial Statements for the year ended 30 June 2017

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

### 59. Budget differences (continued)

Rental of Facilities & Equipment:- The decrease in revenue when compared to the budget is as a result of cancelled rental agreements due to various transfers

Interest Earned on Investments: - As a result of expenditure occurring later in the year than anticipated and extended cash flow maximisation measures we were able to improve revenue

Property rates - penalties imposed and collection charges: - Improved debt recovery processes resulted in debt remaining outstanding for shorter periods than initially expected. This has the resultant effect of reducing this revenue.

Licences and permits:- Lower revenue recognition is due to a decrease in applications.

Public contributions and donations:- Donations are only budgeted for should we become aware of credible agreements during the budgeting process. The donations received represent un-expected donations.

Depreciation:- As a result of expenditure occurring later in the year, various projects remain either under construction as at year end or were capitalised later than anticipated, resulting in lower depreciation.

Debt impairment:- As evidenced by the Property Rates : Penalties Imposed, the municipality has improved its debt recovery processes. This has also had the effect of reducing the debt impairment.

Repairs and maintenance:- Included in the budgeting processes are various internal costing processes. Upon the reallocation of this in the final actual's as per the AFS, it was noted that as the department did not utilise internal officials for Repairs, the internal costing were therefore unable to offset this expenditure. The net excess over budget represents the extent to which we have relied on external service providers as opposed to internal officials.

Other expenditure: Due to changes in various markets and actuarial related assumptions, provisions have been revised to more accurately state an estimate of councils future liability.

Cash flow: In accordance with GRAP 2 actual values have been reclassified between cash and cash equivalents and short term investments thus resulting in the variance noted. Should this disclosure be revised to the basis used in the budget, cash and cash equivalents will increase by R387m resulting in a positive variance of R35m.

### Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. Detail Explanations to the above variances are contained in the Mid Year Section Budget Performance Report compiled in terms of Section 72 of the MFMA. The below explanations contain a summary wherein only material variances are discussed, i.e.) variances greater or less than 9 %. Other variances are as a result of reallocations within the budget.

Other Income:- Reallocation of income from special rating areas (SRA) between property rates and other income.

Interest earned on Investments: The budget was adjusted to account for the commitments towards the capital budget.

Fines: Mid year revenue showed a decrease in the fines issued as previously anticipated.

Remuneration of councillors: Budget adjusted to actual expenditure

Loss on disposal of assets: - the user department decreased budget by doing a virement to bulk purchases.

# Kwa Dukuza Municipality

## Unaudited Appendix A

June 2017

### Schedule of external loans as at 30 June 2017

	Loan Number	Redeemable	Balance at 30 June 2016 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2017 Rand
<b>Loan Stock</b>						
<b>Structured loans</b>						
<b>Funding facility</b>						
<b>Development Bank of South Africa</b>						
<b>Bonds</b>						
<b>Other loans</b>						
DBSA R43M LOAN	101267/1		20,830,453	-	2,083,045	18,747,408
Loan ABSA R3100 000	30-3124-5686		1,638,774	-	1,638,774	-
Loan ABSA R21.544M	30-3593-5306		5,019,249	-	5,019,249	-
Loan DBSA R28.9M (ELECT)	61006918/19		143,750,828	-	3,780,375	139,970,453
DBSA: R5.888 LOAN	61006918/19		82,390,865	-	2,166,724	80,224,141
			<b>253,630,169</b>	<b>-</b>	<b>14,688,167</b>	<b>238,942,002</b>
<b>Lease liability</b>						
<b>Annuity loans</b>						
<b>Government loans</b>						
<b>Total external loans</b>						
Other loans			253,630,169	-	14,688,167	238,942,002
			<b>253,630,169</b>	<b>-</b>	<b>14,688,167</b>	<b>238,942,002</b>

## June 2017

### Analysis of property, plant and equipment as at 30 June 2017

**Property Plant and Equipment**


**Kwa Dukuza Municipality**  
**Unaudited Appendix C**

June 2017

**Segmental analysis of property, plant and equipment as at 30 June 2017**  
**Cost/Revaluation**                      **Accumulated Depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
<b>Municipality</b>											
Executive & Council/Mayor and Council	164,597,193	6,770,804	(632,209)	<b>170,735,788</b>	(8,394,571)	106,909	-	(846,265)	(313)	<b>(9,134,240)</b>	161,601,548
Finance & Admin/Finance	180,055,918	3,971,666	(11,469,408)	<b>172,558,176</b>	(20,353,794)	766,491	-	(3,385,621)	(87,941)	<b>(23,060,865)</b>	149,497,311
Planning and Development/Economic Development/Plan	16,106,423	372,009	(125,930)	<b>16,352,502</b>	(6,318,608)	120,018	-	(976,991)	(85)	<b>(7,175,666)</b>	9,176,836
Health/Clinics	-	-	-	-	-	-	-	-	-	-	-
Comm. & Social/Libraries and archives	405,438,662	43,026,484	(15,123,296)	<b>433,341,850</b>	(47,246,706)	971,431	(10,928)	(8,271,585)	-	<b>(54,557,788)</b>	378,784,062
Housing	-	-	-	-	-	-	-	-	-	-	-
Public Safety/Police	28,205,768	642,651	(855,450)	<b>27,992,969</b>	(17,231,020)	642,150	-	(1,936,021)	(157,339)	<b>(18,682,230)</b>	9,310,739
Sport and Recreation	-	-	-	-	-	-	-	-	-	-	-
Environmental Protection/Pollution Control	-	-	-	-	-	-	-	-	-	-	-
Waste Water Management/Sewerage	-	-	-	-	-	-	-	-	-	-	-
Road Transport/Roads	627,031,275	187,534,264	(825,250)	<b>813,740,289</b>	(217,136,764)	264,485	-	(20,110,302)	(366,404)	<b>(237,348,985)</b>	576,391,304
Water/Water Distribution	-	-	-	-	-	-	-	-	-	-	-
Electricity /Electricity Distribution	805,560,104	36,854,874	(1,944,482)	<b>840,470,496</b>	(230,203,820)	1,135,170	-	(23,214,579)	(1,591,495)	<b>(253,874,724)</b>	586,595,772
Other/Air Transport	-	-	-	-	-	-	-	-	-	-	-
<b>2,226,995,343</b>	<b>279,172,752</b>	<b>(30,976,025)</b>	<b>2,475,192,070</b>	<b>(546,885,283)</b>	<b>4,006,654</b>	<b>(10,928)</b>	<b>(58,741,364)</b>	<b>(2,203,577)</b>	<b>(603,834,498)</b>	<b>1,871,357,572</b>	

**Total**

**Segmental Statement of Financial Performance for the year ended**  
**Prior Year** **Current Year**

<b>Actual Income</b>	<b>Actual Expenditure</b>	<b>Surplus / (Deficit)</b>		<b>Actual Income</b>	<b>Actual Expenditure</b>	<b>Surplus / (Deficit)</b>
<b>Rand</b>	<b>Rand</b>	<b>Rand</b>		<b>Rand</b>	<b>Rand</b>	<b>Rand</b>
<b>Municipality</b>						
115,668,130	65,295,841	50,372,289	Executive & Council/Mayor and Council	107,365,699	96,216,775	11,148,924
324,665,332	105,026,288	219,639,044	Finance & Admin/Finance	399,872,517	87,531,947	312,340,570
15,685,821	24,740,974	(9,055,153)	Planning and Development/Economic Development/Plan	9,666,646	41,129,262	(31,462,616)
-	4,807,709	(4,807,709)	Health/Clinics	-	-	-
4,991,901	15,938,674	(10,946,773)	Comm. & Social/Libraries and archives	4,984,759	33,755,881	(28,771,122)
2,772,280	7,852,535	(5,080,255)	Housing	8,225,843	13,791,494	(5,565,651)
26,251,459	95,634,389	(69,382,930)	Public Safety/Police	22,872,822	118,627,390	(95,754,568)
22,783,282	64,334,394	(41,551,112)	Sport and Recreation	15,304,982	73,804,507	(58,499,525)
-	-	-	Environmental Protection/Pollution Control	-	-	-
72,243,696	58,014,516	14,229,180	Waste Water Management/Sewerage	63,811,468	65,438,024	(1,626,556)
51,471,989	96,301,184	(44,829,195)	Road Transport/Roads	73,074,105	84,688,275	(11,614,170)
-	-	-	Water/Water Distribution	-	-	-
607,438,842	566,921,220	40,517,622	Electricity /Electricity Distribution	749,607,136	682,963,998	66,643,138
<b>1,243,972,732</b>	<b>1,104,867,724</b>	<b>139,105,008</b>		<b>1,454,785,977</b>	<b>1,297,947,553</b>	<b>156,838,424</b>

**Kwa Dukuza Municipality**  
**Unaudited Appendix E(1)**

June 2017

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2017.**

	<b>Current year 2017 Act. Bal. Rand</b>	<b>Current year 2017 Adjusted budget Rand</b>	<b>Variance Rand</b>	<b>Var</b>
<b>Revenue</b>				
Property rates	(346,901,602)	(353,327,804)	6,426,202	(1.8)
Service charges	(743,612,316)	(749,160,136)	5,547,820	(0.7)
Property rates penalties imposed	(10,536,945)	(12,105,636)	1,568,691	(13.0)
Fines	(21,039,565)	(21,518,521)	478,956	(2.2)
Rental of facilities and equipment	(996,805)	(1,132,678)	135,873	(12.0)
Government Grants and subsidies	(211,979,843)	(219,426,146)	7,446,303	(3.4)
Public donations	(2,873,732)	(1)	(2,873,731)	87,373,100.0
Fair value adjustment of investment properties	(5,765,000)	-	(5,765,000)	-
Licences and permits	(8,837,211)	(10,486,587)	1,649,376	(15.7)
Other income	(59,249,994)	(53,447,601)	(5,802,393)	10.9
Gain on disposal of PPE	(4,907,565)	-	(4,907,565)	-
Interest received - investment	(32,512,332)	(27,982,208)	(4,530,124)	16.2
Interest received - outstanding debtors	(5,573,067)	(5,676,000)	102,933	(1.8)
	<b>(1,395,535,982)</b>	<b>(1,454,263,318)</b>	<b>58,727,336</b>	<b>(4.0)</b>
<b>Expenses</b>				
Executive and Council	96,216,775	106,695,133	(10,478,358)	(9.8)
Finance and Administration	87,531,947	102,995,232	(15,463,285)	(15.0)
Planning and Development	41,129,262	43,238,961	(2,109,699)	(4.9)
Health	-	-	-	-
Community and Social Development	33,755,881	33,792,400	(36,519)	(0.1)
Housing	13,791,494	18,112,481	(4,320,987)	(23.9)
Public Safety	118,627,390	117,059,042	1,568,348	1.3
Sports and recreation	73,804,507	72,898,470	906,037	1.2
Waste Management	65,438,024	80,918,852	(15,480,828)	(19.1)
Road Transport	84,688,275	96,927,578	(12,239,303)	(12.6)
Electricity	682,963,998	689,905,119	(6,941,121)	(1.0)
	<b>622,900,577</b>	<b>1,362,543,268</b>	<b>(739,642,691)</b>	<b>(54.3)</b>
Net surplus/ (deficit) for the year	<b>(775,932,862)</b>	<b>(91,720,050)</b>	<b>(684,212,812)</b>	<b>746.0</b>



**Kwa Dukuza Municipality**  
**Unaudited Appendix E(2)**

June 2017

**Budget Analysis of Capital Expenditure as at 30 June 2017**

	<b>Additions</b>	<b>Revised Budget</b>	<b>Variance</b>	<b>Variance</b>	<b>Explanation of significant variances from budget</b>
	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>%</b>	
<b>Municipality</b>					
Executive & Council/Mayor and Council	10,425,426	11,470,273	1,044,847	<b>9</b>	Under spending is due to the delays of Civic Building security fencing
Finance & Admin/Finance	3,331,340	4,850,812	1,519,472	<b>31</b>	Under spending due to incorrect budget allocation for VIP rollover while the project was operational in nature.
Planning and Development/Economic Development/Plan	260,647	1,000,000	739,353	<b>74</b>	Under-spending due to the delay in planning and procurement processes.
Community & Social services	29,430,760	31,745,625	2,314,865	<b>7</b>	The variance is due to sporting and recreational facilities which are still in the planning stage, only professional fees were incurred.
Public Safety/Police	936,505	1,312,991	376,486	<b>29</b>	Under-spending due to the delay in planning and procurement processes, also some of movable items acquired were expensed.
Roads and stormwater drainage	184,449,664	186,638,329	2,188,665	<b>1</b>	
Electricity	32,091,553	56,116,565	24,025,012	<b>43</b>	Electrification project - huge delays in obtaining design package approval from Eskom. Also slow progress in hand over process of houses in the Groutville Priority 2 resulted in delay of electrification of such homes.
	<b>260,925,895</b>	<b>293,134,595</b>	<b>32,208,700</b>	<b>11</b>	

**Kwa Dukuza Municipality**  
**Unaudited Appendix F**  
**Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003**  
June 2017

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld	Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Dec	Jun	Sep	Dec	Mar	Jun				
Equitable Share	National Treasury	48,601,000	38,881,000	29,160,000	-	48,601,000	38,881,000	29,160,000	-	-	N/A	Yes	N/A
Municipal Infrastructure Grant (MIG)	DPLG	41,000,000	8,330,000	12,000,000	-	41,000,000	8,330,000	12,000,000	-	-	N/A	Yes	N/A
INEP Grant	Integrated National Electrification Grant	4,197,000	5,803,000	-	-	-	132,302	317,317	1,459,024	-	N/A	Yes	N/A
Finance Management Grant	National Treasury	1,725,000	-	-	-	445,774	444,806	338,239	496,181	-	N/A	Yes	N/A
New Library	Provincial Libraries	-	537,000	-	-	62,697	93,951	92,117	118,519	-	N/A	Yes	N/A
Museum	Office Of the Premier	-	175,000	-	-	-	175,000	-	186,027	-	N/A	Yes	N/A
Neighbourhood Development Partnership	National Treasury	-	11,000,000	4,690,000	-	-	11,000,000	4,690,000	-	-	N/A	Yes	N/A
Entembeni Charlotdale Precent Grant	National Treasury	-	-	-	-	117,614	-	-	-	-	N/A	Yes	N/A
EPWP	National Treasury	321,000	579,000	388,152	-	321,000	579,000	388,152	-	-	N/A	Yes	N/A
Housing Accreditation		-	-	-	3,987,160	807,603	1,259,767	-	2,645,647	-	N/A		N/A
Library Subsidy	Department Of Human Settlements	-	2,929,000	-	-	1,958,857	970,143	-	-	-	N/A	Yes	N/A
Beach Rehabilitation	National Treasury	-	-	-	-	60,632	23,750	11,990	548,499	-	N/A	Yes	N/A
		-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-			
		95,844,000	68,234,000	46,238,152	3,987,160	93,375,177	61,889,719	46,997,815	5,453,897	-			